AGROTON PUBLIC LIMITED

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

AGROTON PUBLIC LIMITED

CONTENTS

AGROTON PUBLIC LIMITED

OFFICERS AND PROFESSIONAL ADVISORS

Board of Directors	Iurii Zhuravlov - Chief Executive Officer Tamara Lapta - Deputy Chief Executive Officer Larysa Orlova - Chief Financial Officer Borys Supikhanov - Non-Executive Director Volodymyr Kudryavtsev - Non-Executive Director
Audit Committee	Borys Supikhanov (Head of the Committee) Volodymyr Kudryavtsev
Remuneration Committee	Borys Supikhanov (Head of the Committee) Volodymyr Kudryavtsev
Secretary	Inter Jura Cy (Services) Limited
Independent Auditors	KPMG Limited
Legal Advisors	K. Chrysostomides & Co LLC
Registered office	1 Lampousas Street 1095 Nicosia Cyprus

AGROTON PUBLIC LIMITED

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

In accordance with article 9(3)(c) and (7) of the Transparency Requirements (Securities Listed for Trading on a Regulated Market) Law of 2007 (the "Law"), as amended from time to time, we, the Members of the Board of Directors and the Company official responsible for the preparation of the consolidated financial statements of Agroton Public Limited (the "Company") for the year ended 31 December 2018, confirm that to the best of our knowledge:

a) the annual consolidated financial statements presented on pages 14 to 96:

   i) have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and the provisions of article (9), section (4) of the Law, and

   ii) give a true and fair view of the assets and liabilities, the financial position and the profits or losses of Agroton Public Limited and of the entities included in the consolidated financial statements, as a whole and

b) the Management Report provides a fair review of the developments and performance of the business as well as the position of Agroton Public Limited and of the entities included in the consolidated financial statements, as a whole, together with a description of the major risks and uncertainties that they face.

Members of the Board of Directors:

Iurii Zhuravlov	
Tamara Lapta	
Larysa Orlova	
Borys Supikhanov	
Volodymyr Kudryavtsev	

Company official responsible for the preparation of the consolidated financial statements of the Company for the year ended 31 December 2018:

Larysa Orlova	

Nicosia, 25 April 2019

AGROTON PUBLIC LIMITED

MANAGEMENT REPORT

The Board of Directors of Agroton Public Limited (the “Company”) presents to the members its annual report together with the audited consolidated financial statements of the Company and of its subsidiary companies (together with the Company, the “Group”) for the year ended 31 December 2018.

INCORPORATION AND PRINCIPAL ACTIVITIES

Agroton Public Limited (the “Company”) was incorporated in Cyprus on 21 September 2009 as a public company with limited liability under the Cyprus Companies Law, Cap. 113. The Company was listed at the main market of Warsaw Stock Exchange on 8 November 2010.

The principal activities of the Group which remained the same as in the previous year, are grain and oil crops growing, agricultural products storage and sale, cattle breeding (milk cattle-breeding, poultry farming). The poultry farming business has been temporarily abandoned due to the military clashes and armed conflict in Eastern Ukraine.

FINANCIAL RESULTS

The financial results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 14 to the consolidated financial statements.

The profit for the year attributable to the owners of the Company amounted to USD 13 518 thousand 2017: profit of USD 8 299 thousand).

EXAMINATION OF THE DEVELOPMENT, POSITION AND PERFORMANCE OF THE ACTIVITIES OF THE GROUP

The Group recorded a profit of USD 13 534 thousand compared to USD 8 322 the previous year.

The net asset position of the Group has increased from USD 79 768 thousand as at 31 December 2017 to USD 88 078 thousand as at 31 December 2018.

The financial position of the Group for the year, as presented in the consolidated financial statements is considered satisfactory.

DIVIDENDS

The Board of Directors does not recommend the payment of a dividend (2017: USD nil).

FUTURE DEVELOPMENTS

The Board of Directors does not expect major changes in the principal activities of the Group in the foreseeable future.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Group and the steps taken to manage these risks are described in note 36 to the consolidated financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES (cont.)

The Group conducts its operations mainly in Ukraine. Ukraine's political and economic situation has deteriorated significantly since 2014. Following political and social unrest in early 2014, in March 2014, various events in Crimea led to the accession of the Republic of Crimea to the Russian Federation, which was not recognised by Ukraine and many other countries. This event resulted in a significant deterioration of the relationship between Ukraine and the Russian Federation. Following the instability in Crimea, regional tensions have spread to the Eastern regions of Ukraine, primarily Donetsk and Lugansk regions. In May 2014, protests in those regions escalated into military clashes and armed conflict between supporters of the self-declared republics of the Donetsk and Lugansk regions and the Ukrainian forces, which continued throughout the date of these financial statements. As a result of this conflict, part of the Donetsk and Lugansk regions remains under control of the self-proclaimed republics, and Ukrainian authorities are not currently able to fully enforce Ukrainian laws on this territory.

Political and social unrest combined with the military conflict in the Donetsk and Lugansk regions has deepened the ongoing economic crisis, caused a fall in the country's gross domestic product and foreign trade, deterioration in state finances, depletion of the National Bank of Ukraine's foreign currency reserves, significant devaluation of the national currency and a further downgrading of the Ukrainian sovereign debt credit ratings. Following the devaluation of the national currency, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions, which among others included restrictions on purchases of foreign currency by individuals and companies, the requirement to convert large part of foreign currency proceeds to local currency, a ban on payment of dividends abroad, a ban on early repayment of foreign loans and restrictions on cash withdrawals from banks. These events had a negative effect on Ukrainian companies and banks, significantly limiting their ability to obtain financing on domestic and international markets.

In September 2017, Ukraine successfully issued USD 3 billion of Eurobonds, of which USD 1.3 billion is new financing, with the remaining amount aimed to refinance bonds due in 2019.

During 2018 the Ukrainian economy proceeded with recovery from the economic and political crisis of previous years and demonstrated a sound GDP growth of 3.4% (2017: 2.5%), decline in annual inflation of 9.8% (2017: 13.7%), and relatively stable foreign exchange rate of Ukrainian national currency. Further economic growth depends, to a large extent, upon success of the Ukrainian government in the implementation of planned reforms, cooperation with the International Monetary Fund, and a smooth transition through presidential and parliamentary elections due in March and October 2019, respectively.

The final resolution and the effects of the political and economic crisis are difficult to predict but may have further severe effects on the Ukrainian economy.

Whilst management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, a continuation of the current unstable business environment could negatively affect the Group's results and financial position in a manner not currently determinable. These consolidated financial statements reflect management's current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

SHARE CAPITAL

There were no changes in the share capital of the Company during the year.

AGROTON PUBLIC LIMITED

MANAGEMENT REPORT (cont.)

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors has adopted the Code of Corporate Governance (the “Code”) of the Warsaw Stock Exchange (“WSE”) which is available in the WSE website.

At present, the Corporate Governance Code is not fully implemented. There are specific provisions of the Code which cannot be adopted since they are either contrary to and/or do not accord with the provisions of the Articles of Association of the Company, or they cannot be adopted due to the recent developments in Eastern Ukraine. The Board of Directors will endeavour to remedy these as soon as practicable.

The Board of Directors ensures through effective internal audit and risk management procedures the collection of the necessary items for the preparation of the periodic reporting required for listed companies.

The Company is governed by the Board of Directors. Companies formed under the Cyprus Companies Law, Cap. 113, do not have supervisory board and management board. Cyprus companies have a Board of Directors, members of which are appointed to fill certain executive and non-executive positions. The management of the business and the conduct of the affairs of the Company are vested in the Board of Directors. The Board of Directors comprises five members, three of which are non-independent and the remaining two are independent. This is in compliance with the provisions of the Articles of Association of the Company, which requires that the Board of Directors comprise by at least two Directors, two of which shall be independent.

Directors are appointed at general meetings. There is no requirement in the Articles of Association for the retirement of Directors by rotation, thus all Directors continue in office, unless they resign or following an ordinary resolution from the Company shareholders.

The Company has an Audit Committee and a Remuneration Committee. Both committees comprise two members, both of which are non-executive. Analysis of their responsibilities is disclosed separately in this report.

The emoluments and other benefits of Directors of the Company are presented below:

	Emoluments USD	**Other benefits USD**	**Total USD**
Iurii Zhuravlov	2 269 794	-	**2 269 794**
Tamara Lapta	19 670	-	**19 670**
Larysa Orlova	12 512	-	**12 512**
Borys Supakhanov	-	-	**-**
Volodymyr Kudryavtsev	-	-	**-**

The interest in the Company’s share capital held directly or indirectly by each member of the Board of Directors at 31 December 2018 and at 20 April 2019 are disclosed below.

The owners holding directly or indirectly more than 5% interest in the Company’s share capital at 31 December 2018 and at 20 April 2019 are disclosed below.

AGROTON PUBLIC LIMITED

MANAGEMENT REPORT (cont.)

STATEMENT ON CORPORATE GOVERNANCE (cont.)

There are currently no shares in issue holding special or limited rights.

The Board of Directors can proceed with the issue of shares following an ordinary resolution from the Company owners. For the repurchase of the Company shares a special resolution from the Company's owners is required, in accordance with the provisions of Section 57 of Cyprus Companies Law.

The Report on Corporate Governance has been prepared in accordance with the provisions of the Code and includes the above mentioned explanations, as well as the information required by the relevant Article of the Directive.

OWNERS HOLDING MORE THAN 5% OF THE COMPANY'S SHARE CAPITAL

The owners holding directly or indirectly more than 5% interest in the Company's share capital at 31 December 2018 and at 20 April 2019 were as follows:

	31 December 2018	**20 April 2019**
	%	**%**
Iurii Zhuravlov	77,77	77,77
Other	22,23	22,23

On 30 January 2018 Mr. Zhuravlov acquired 329 233 shares and on 3 December 2018 he acquired further 484 000 shares.

DIRECTORS' INTEREST IN THE COMPANY'S SHARE CAPITAL

In accordance with Article 4(b) of the Cyprus Securities and Exchange Commission Directive the interest in the Company's share capital held directly or indirectly by each member of the Board of Directors at 31 December 2018 and at 20 April 2019 were as follows:

	31 December 2018	**20 April 2019**
	%	**%**
Iurii Zhuravlov	77,77	77,77
Tamara Lapta	-	-
Larysa Orlova	-	-
Borys Supikhanov	-	-
Volodymyr Kudryavtsev	-	-

AGROTON PUBLIC LIMITED

MANAGEMENT REPORT (cont.)

BOARD OF DIRECTORS

The members of the Board of Directors at 31 December 2018 and at the date of this report are presented on page 1.

There is no requirement in the Company's Articles of Association for the retirement of Directors by rotation, thus all Directors presently members of the Board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

AUDIT COMMITTEE AND REMUNERATION COMMITTEE

The Directors are responsible for formulating, reviewing and approving the Company's and its subsidiary companies strategies, budgets, certain items of capital expenditures and senior personnel appointments. Being a company listed on the Warsaw Stock Exchange, the Directors have established audit and remuneration committees to improve corporate governance.

The Audit Committee and Remuneration Committee, were established on 4 May 2010 both of which were in force during the year ended 31 December 2018 and continued in force at the date of this report.

The Audit Committee assists the Company's Board of Directors in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including reviewing the annual consolidated financial statements, reviewing and monitoring the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the internal audit activities, internal controls and risk management systems. The ultimate responsibility for reviewing and approving the annual consolidated financial statements and the half yearly financial statements remains with the Board of Directors. The Audit Committee of the Company, comprising of Mr. Borys Supikhanov and Mr. Volodymyr Kudryavstev and is chaired by Mr. Borys Supikhanov.

The Remuneration Committee assists the Board of Directors in discharging its responsibilities in relation to remuneration, including making recommendations to the Board of Directors and/or the general meeting of the shareholders of the Company on the policy on executive remuneration, determining the individual remuneration and benefits package of each of the Executive Directors and recommending and monitoring the remuneration of senior management below Board level. The Remuneration Committee of the Company, comprising of Mr. Borys Supikhanov and Mr. Volodymyr Kudryavtsev (both Non-Executive Directors), and is chaired by Mr. Borys Supikhanov and sets and review the scale and structure of the Executive Directors' remuneration packages, including share options and the terms of their service contracts.

EVENTS AFTER THE REPORTING PERIOD

Any significant events that occurred after the reporting period are described in note 38 to the consolidated financial statements.

BRANCHES

The Group did not operate through any registered branches during the year ended 31 December 2018.

RELATED PARTY BALANCES AND TRANSACTIONS

Disclosed in note 32 to the consolidated financial statements.

INDEPENDENT AUDITORS

The independent auditors of the Company, KPMG Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the next Annual General Meeting of the Company.

By order of the Board of Directors,

Larysa Orlova
Director

Nicosia, 25 April 2019

KPMG Limited
Chartered Accountants
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T: +357 22 209000, F: +357 22 678200

Independent Auditors' report

to the Members of

AGROTON PUBLIC LIMITED

Report on the audit of the consolidated financial statements

Qualified Opinion

We have audited the accompanying consolidated financial statements of Agroton Public Limited (the "Company") and its subsidiaries (the "Group"), which are presented on pages 14 to 96 and comprise the consolidated statement of financial position as at 31 December 2018, 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 any adjustments that could have been determined to be necessary have we been able to satisfy ourselves as to the physical inventory quantities, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time (the "Companies Law, Cap. 113").

Basis for qualified opinion

In respect of the inventory of the Group presented in the consolidated statement of financial position at the value USD24 289 thousand, the audit evidence we had available was limited because we did not observe the physical inventory count at 31 December 2018 due to the fact that it is impracticable since the inventory is held in locations that may pose threats to safety. We were unable to obtain sufficient and appropriate audit evidence as to the inventory quantities by other audit procedures.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *"Auditors' responsibilities for the audit of the financial statements"* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants ("IESBA Code"), and the ethical requirements in Cyprus that are relevant to our audit of the consolidated financial statements, 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 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" and "*Material uncertainty related to going concern*" sections, we have determined the matters described below to be the key audit matters to be communicated in our report.

Valuation of biological assets

Refer to Notes 7, 19 (biological assets) and to Note 37 (fair values) to the consolidated financial statements.

The key audit matter	*How the matter was addressed in our audit*
The Group's biological assets consist of agricultural crops and animals in growing and fattening, which are measured at fair value less estimated costs to sell. Due to the nature of the asset, the valuation technique includes a number of inputs from mostly internal sources. Consequently, we have determined the valuation of biological assets to be a key audit matter.	Our audit approach in this area included, among others: • Considering the appropriateness of the valuation methodology by reviewing the valuation expert's report on the methodology used by the Group for the valuation of animals and agreeing its consistency with IFRS. The competencies of the expert were also assessed; • Compare amounts reported in the financial statements with those included in the valuation report. Back up inputs used to external observable data such as market prices; • Challenging the inputs used by the Group in calculating the cost of agricultural crops and assessing the sources used to determine their fair values by: - Vouching to supporting documentation in order to verify the cost of crops which is an approximation of their Fair Value; - Verifying quantities harvested to current and post year-end sales. • Testing the mathematical accuracy of the model; • Evaluating the adequacy of the consolidated financial statements disclosures.

Other information

The Board of Directors is responsible for the other information. The other information comprises the Management Report and the corporate governance statement, but does not include the consolidated financial statements and our auditors' 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, except as required by the Companies Law, Cap. 113.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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.

With regards to the management report and the corporate governance statement, our report is presented in *"Report on other legal and regulatory' requirements"* section.

Responsibilities of the Board of Directors 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 IFRS-EU and the requirements of the 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.

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 there is an intention to either liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditors' 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 auditors' 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 skepticism 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.

Auditors' responsibilities for the audit of the consolidated financial statements (cont.)

- 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 auditors' 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 auditors' 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.

We communicate with the Board of Directors 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 the Board of Directors 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 the Board of Directors, 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.

Report on other legal and regulatory requirements

Other regulatory requirements

Pursuant to the requirements of Article 10(2) of EU Regulation 537/2014 we provide the following information in our Independent Auditors' Report, which is required in addition to the requirements of ISAs.

Date of our appointment and period of engagement

We were first appointed auditors of the Company by the General Meeting of the Company's members on 10 August 2012. Our appointment has been renewed annually by shareholder resolution. Our total uninterrupted period of engagement is 7 years covering the periods ended 31 December 2012 to 31 December 2018.

Consistency of the additional report to the Audit Committee

Our audit opinion is consistent with the additional report presented to the Audit Committee dated 23 April 2019.

Report on other legal and regulatory requirements (cont.)

Other regulatory requirements (cont.)

Provision of non-audit services ("NAS")

We have not provided any prohibited NAS referred to in Article 5 of EU Regulation 537/2014 as applied by Section 72 of the Auditors Law of 2017, L.53(1)2017, as amended from time to time ("Law L53(1)/2017").

Other legal requirements

Pursuant to the additional requirements of law L.53 (I) 2017, and based on the work undertaken in the course of our audit, we report the following:

- In our opinion, the Management Report, the preparation of which is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.

- In the light of the knowledge and understanding of the business and the Group's environment obtained in the course of the audit, we have not identified material misstatements in the Management Report.

- In our opinion, the information included in the Corporate Governance Report in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Companies Law, Cap. 113, has been prepared in accordance with the requirements of the Companies Law, Cap. 113 and is consistent with the 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 Corporate Governance Report in relation to the information disclosed for items (iv) and (v) of the subparagraph 2(a) of Article 151 of the Companies Law, Cap. 113. We have not identified any material misstatements in this respect.

- In our opinion, the Corporate Governance Report includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Companies Law, Cap. 113.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of Law L53(I)/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 auditors' report is Maria A. Papacosta.

Maria A. Papacosta, FCCA
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors
14 Esperidon Street
1087 Nicosia
Cyprus

25 April 2019

AGROTON PUBLIC LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

(in USD thousand, unless otherwise stated)

	Note	2018	2017
Continuing operations			
Revenue	5	57 189	51 785
Cost of sales	6	(59 576)	(59 334)
Net change in fair value less cost to sell of biological assets and agricultural produce	7	22 349	23 914
Gross profit		**19 962**	**16 365**
Other operating income	8	354	604
Administrative expenses	9	(4 367)	(2 642)
Distribution expenses	10	(1 709)	(1 360)
Other operating expenses	11	(2 718)	(4 354)
Operating profit	13	**11 522**	**8 613**
Impairment losses	12	-	(29)
Impairment losses on loans, trade and other receivable		(964)	(90)
Fair value losses on financial assets at fair value through profit or loss		(94)	1
		10 464	**8 495**
Finance income	14	3 717	2 488
Finance costs	14	(462)	(2 620)
Net finance costs		**3 255**	**(132)**
Profit before taxation		**13 719**	**8 363**
Taxation		(185)	(41)
Profit for the year		**13 534**	**8 322**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Effect of translation into presentation currency		(388)	371
Total comprehensive income		**13 146**	**8 693**
Profit attributable to:			
Owners of the Company		13 518	8 299
Non-controlling interests		16	23
		13 534	**8 322**
Total comprehensive income attributable to:			
Owners of the Company		13 130	8 674
Non-controlling interests		16	19
		13 146	**8 693**
Profit per share			
Basic and fully diluted profit per share (USD)	31	0,62	0,38

AGROTON PUBLIC LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

(in USD thousand, unless otherwise stated)

	Note	2018	2017
Assets			
Property, plant and equipment	17	14 132	9 022
Intangible assets	18	3 694	4 693
Biological assets	19	1 452	1 480
Non-current assets		**19 278**	**15 195**
Inventories	23	24 289	27 177
Biological assets	19	8 777	6 610
Investments designated at fair value through profit or loss	20	141	236
Trade and other receivables	24	5 429	5 055
Loans receivable	21	16 274	19 720
Assets held for sale	27	17	17
Cash and cash equivalents	26	24 881	17 481
Current assets		**79 808**	**76 296**
Total assets		**99 086**	**91 491**
Equity			
Share capital	28	661	661
Share premium	28	88 532	88 532
Retained earnings		(9 783)	(18 465)
Foreign currency translation reserve		8 418	8 806
Equity attributable to owners of the Company		**87 828**	**79 534**
Non-controlling interests		**250**	**234**
Total equity		**88 078**	**79 768**
Liabilities			
Loans and borrowings	29	-	9 807
Non-current liabilities		**-**	**9 807**
Loans and borrowings	29	7 865	89
Trade and other payables	30	2 797	1 666
Income tax liability		337	152
Liabilities held for sale	27	9	9
Current liabilities		**11 008**	**1 916**
Total liabilities		**11 008**	**11 723**
Total equity and liabilities		**99 086**	**91 491**

On 25 April 2019 the Board of Directors of Agroton Public Limited approved and authorised these consolidated financial statements for issue.

Tamara Lapta
Deputy Chief Executive Officer

Larysa Orlova
Chief Financial Officer

The notes on pages 20 to 96 are an integral part of these consolidated financial statements.

AGROTON PUBLIC LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

(in USD thousand, unless otherwise stated)

	Attributable to owners of the Company						
	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2017	661	88 532	(26 764)	8 431	70 860	215	71 075
Total comprehensive income							
Profit for the year	-	-	8 299	-	8 299	23	8 322
Other comprehensive income	-	-	-	375	375	(4)	371
Other comprehensive income	**-**	**-**	**8 299**	**375**	**8 674**	**19**	**8 693**
Balance at 31 December 2017	**661**	**88 532**	**(18 465)**	**8 806**	**79 534**	**234**	**79 768**
Balance at 1 January 2018	**661**	**88 532**	**(18 465)**	**8 806**	**79 534**	**234**	**79 768**
Adjustments on initial application of IFRS 9	-	-	(4 836)	-	(4 836)	-	(4 836)
Adjusted balance at 1 January 2018	**661**	**88 532**	**(23 301)**	**8 806**	**74 698**	**234**	**74 932**
Total comprehensive income							
Profit for the year	-	-	13 518	-	13 518	16	13 534
Other comprehensive income	-	-	-	(388)	(388)	-	(388)
Total comprehensive income for the year	**661**	**-**	**13 518**	**(388)**	**13 130**	**16**	**13 146**
Balance at 31 December 2018	**661**	**88 532**	**(9 783)**	**8 418**	**87 828**	**250**	**88 078**

The notes on pages 20 to 96 are an integral part of these consolidated financial statements.

AGROTON PUBLIC LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont.)

For the year ended 31 December 2018

(in USD thousand, unless otherwise stated)

- In accordance with the Cyprus Companies Law, Cap. 113, Section 55 (2) the share premium reserve can only be used by the Company in (a) paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares; (b) writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (c) providing for the premium payable on redemption of any redeemable preference shares or of any debentures of the Company.

- Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 17% will be payable on such deemed dividend to the extent that the owners (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the Company for the account of the owners.

  The above requirement of the Law is not applied in the case of the Company due to the fact that its owners are not residents in Cyprus for tax purposes.

AGROTON PUBLIC LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

(in USD thousand, unless otherwise stated)

	Note	2018	2017
Cash flows from operating activities:			
Profit for the year		**13 534**	**8 322**
Adjustments for:			
Depreciation	16	1 470	1 102
Amortisation	16	1 115	1 149
Fair value losses on financial assets at fair value through profit or loss		94	(1)
Wastages and impairment of inventories	11	2 211	3 446
Gain from changes in fair value less cost to sell of biological assets and agriculture produce	7	(22 349)	(23 914)
Impairment of loans receivable		931	-
Impairment of trade and other receivables		42	122
Impairment of property, plant and equipment	12,17	-	29
Reversal of provision for bad debts	25	-	(32)
Reversal of impairment of PPE	17	(19)	(414)
Interest income	14	(2 903)	(2 488)
Interest expense	14	462	466
Trade payables written-off	8	(102)	(50)
Loss on disposal of property, plant and equipment	11	57	64
Loss on disposal of current assets	11	22	17
Loss on disposal of land lease rights	11	9	300
Foreign exchange loss	14	-	2 154
Income tax expense		185	41
Cash flow used in operations before working capital changes		**(5 241)**	**(9 687)**
Decrease in inventories		24 119	22 891
Decrease in biological assets		(2 734)	(2 198)
Increase in trade and other receivables		(196)	(1 113)
Increase in trade and other payables		1 667	507
Net cash from operating activities		**17 615**	**10 400**
Income tax paid		-	-
Net cash from operating activities		**17 615**	**10 400**
Cash flow from investing activities			
Acquisition of property, plant and equipment		(6 564)	(4 118)
Acquisition of intangible assets		(42)	-
Proceeds from disposal of property, plant and equipment		-	-
Loans granted		-	(613)
Loans repayment		-	113
Net cash used in investing activities		**(6 606)**	**(4 618)**

The notes on pages 20 to 96 are an integral part of these consolidated financial statements.

AGROTON PUBLIC LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (cont.)

For the year ended 31 December 2018

(in USD thousand, unless otherwise stated)

	Note	2018	2017
Cash flows from financing activities			
Repayment of loans and borrowings		(2 492)	-
Net cash used in financing activities		**(2 492)**	**-**
Net increase in cash and cash equivalents		**8 517**	**5 782**
Cash and cash equivalents at the beginning of the year		17 481	11 674
Effect from translation into presentation currency		(1 117)	25
Cash and cash equivalents at the end of the year	26	**24 881**	**17 481**

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

(in USD thousand, unless otherwise stated)

1. GENERAL INFORMATION

Country of incorporation

Agroton Public Limited (the "Company") was incorporated in Cyprus on 21 September 2009 as a public company with limited liability under the Cyprus Companies Law, Cap. 113. The Company was listed at the main market of Warsaw Stock Exchange on 8 November 2010.

The Company's registered office is at 1 Lampousas Street, 1095 Nicosia, Cyprus.

Principal activities

The principal activities of the Group are grain and oil crops growing, agricultural products storage and sale, cattle breeding (milk cattle-breeding, poultry farming) and milk processing. The poultry farming business has been temporarily abandoned due to the military clashes and armed conflict in Eastern Ukraine.

The Group's subsidiaries, country of incorporation, and effective ownership percentages are disclosed below:

Company name	Country of incorporation	Ownership Interest 31.12.2018	Ownership Interest 31.12.2017
Living LLC	Ukraine	99,99 %	99,99 %
PE Agricultural Production Firm Agro	Ukraine	99,99 %	99,99 %
Agroton PJSC	Ukraine	99,99 %	99,99 %
OJSC Belokurakinskiy Elevator	Ukraine	99,99 %	99,99 %
Agro Meta LLC (i)	Ukraine	99,99 %	99,99 %
Rosinka-Star LLC	Ukraine	99,99 %	99,99 %
Etalon-Agro LLC (i)	Ukraine	99,99 %	99,99 %
ALLC Noviy Shlyah	Ukraine	99,99 %	99,99 %
ALLC Shiykivske	Ukraine	94,59 %	94,59 %
Agro-Chornukhinski Kurchata LLC	Ukraine	99,89 %	99,89 %
Agro-Svinprom LLC (ii)	Ukraine	99,89 %	99,89 %
Agroton BVI Limited	British Virgin Islands	100,00 %	100,00 %
Gefest LLC (i)	Ukraine	100,00 %	100,00 %
LLC Lugastan	Ukraine	99,99 %	99,99 %
LLC Siverskiy Elevator (iii)	Ukraine	100,00 %	- %

(i) Agro Meta LLC, Etalon-Agro LLC, and Gefest LLC are in the process of liquidation.
(ii) In July 2011 the management of Living LLC resolved to dispose subsidiary of the Group namely Agro-Svinprom LLC engaged in the pig-breeding.
(iii) LLC Siverskiy Elevator was purchased on 30 July 2018. Refer to note 17.

The parent company of the Group is Agroton Public Limited with an issued share capital of 21 670 000 ordinary shares with nominal value € 0,021 per share.

(in USD thousand, unless otherwise stated)

1. GENERAL INFORMATION (cont.)

The shares at 31 December 2018 and as at the date of issue of these consolidated financial statements were distributed as follows:

	31 December 2018		**20 April 2019**	
Shareholder	**Number of Shares**	**Ownership interest, %**	**Number of Shares**	**Ownership interest, %**
Mr. Iurii Zhuravlov	16 851 979	77,77 %	16 851 979	77,77 %
Others	4 818 021	22,23 %	4 818 021	22,23 %
	21 670 000	100,00 %	21 670 000	100,00 %

2. BASIS OF PREPARATION

These consolidated financial statements of the Company as at and for the year ended 31 December 2018 comprise the financial statements of the Company and its subsidiaries (together with the Company, the "Group").

The Company has subsidiary undertakings and according to 142(1)(b) of the Cyprus Companies Law Cap.113 is required to prepare consolidated financial statements and present them before the members of the Company at the Annual General Meeting.

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), as adopted by the European Union ('EU'), and the requirements of the Cyprus Companies Law, Cap. 113, and are for the year ended 31 December 2018.

2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for the following:

- biological assets and agricultural produce, which are stated at fair value less costs to sell (agricultural produce is measured at fair value at the point of harvest)
- debt securities which are stated at amortised cost
- Investments designated at fair value through profit or loss.

(in USD thousand, unless otherwise stated)

2 . BASIS OF PREPARATION (cont.)

2.3 Functional and presentation currency

The functional currencies of the companies of the Group are the Ukrainian Hryvnia (UAH) and United States Dollar (USD). The currency of Cyprus is Euro, but the principal exposure of the parent undertaking is in US dollars, therefore the functional currency of the Company is considered to be USD. Transactions in currencies other than the functional currency of the Group's companies are treated as transactions in foreign currencies. The Group's management decided to use US dollar (USD) as the presentation currency for financial and management reporting purposes. Exchange differences arising are classified as equity and transferred to the translation reserve.

2.4 Going concern basis

These consolidated financial statements have been prepared under the going concern basis, which assumes the realisation of assets and settlement of liabilities in the course of ordinary economic activity. Renewals of the Group's assets, and the future activities of the Group, are significantly influenced by the current and future economic environment in Ukraine. The Board of Directors and Management are closely monitoring the challenging conditions in the domestic markets as described in note 34 to the consolidated financial statements and has assessed the current situation and there is no indication of adverse effects while at the same time are taking all the steps to secure Group's short and long term viability. To this effect, they consider that the Group is able to continue its operations as a going concern.

2.5 Standards and interpretations

Adoption of new and revised International Financial Reporting Standards and Interpretations

As from 1 January 2018, the Group adopted all changes to International Financial Reporting Standards (IFRSs) as adopted by EU which are relevant to its operations. The adoption of these standards, amendments and interpretations did not have a material effect on the consolidated financial statements of the Group. The effect from the adoption of IFRS 9 on Group's accounting policies is described in note 3.1.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted them in preparing these consolidated financial statements.

The Group has the following updates to information provided in the last annual financial statements about the standards issued but not yet effective that may have a significant impact on the Group's consolidated financial statements.

(in USD thousand, unless otherwise stated)

2 . BASIS OF PREPARATION (cont.)

2.5 Standards and interpretations (cont.)

Adoption of new and revised International Financial Reporting Standards and Interpretations (cont.)

IFRS 16 'Leases'

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - incentives and SIC-27 Evaluating the Substance of Transactions involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees, a lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

The Group has completed an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 January 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

In addition, the nature of expenses. related to those leases will now change because IFRS 16 replaces the straight line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

(a) Transition

As a lessee, the Group can either apply the standard using a:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

The Group plans to apply IFRS 16 initially on 1 January 2019, using a modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied accounting policies set out in this note to all years presented in these consolidated financial statements. Accounting policies of subsidiaries have been changed where necessary to achieve consistent application of the accounting policies applied by the Group.

3.1 Changes in significant accounting policies

The Group has initially adopted IFRS 15 Revenue from Contracts with Customers (see (a)) and IFRS 9 Financial Instruments (see (b)) from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's consolidated financial statements.

The effect of initially applying these standards is mainly attributed to increase in impairment losses recognised on financial assets (see (b) ii) below).

(a) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control at a point in time or over time requires judgement.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (1 January 2018).

The Group's adoption of IFRS 15 does not have any impact on the Group's consolidated financial statements. Accordingly, the information presented for 2017 has not been restated - i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

(b) IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9 impairment requirements at 1 January 2018 has not resulted in an additional allowance for impairment.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

i) Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets held to maturity, loans and receivables and available for sale.

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.1 Changes in significant accounting policies (cont.)

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) - debt investment; FVOCI - equity investment; or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows: and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.1 Changes in significant accounting policies (cont.)

The following accounting policies apply to the subsequent measurement of financial assets.

- Financial assets at FVTPL: these assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

- Financial assets at amortised cost: these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see ii) below), interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

- Debt investments at FVOCI: these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

- Equity investments at FVOCI: these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 did not have significant impact on Group's consolidated financial statements.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 'Loans receivables' of financial assets at 1 January 2018 relates solely to the new impairment requirements:

Financial assets	**Original classification under IAS 39**	**New classification under IFRS 9**	**Original carrying amount under IAS 39**	**New carrying amount under IFRS 9**
Trade and other receivables	Loans and receivables	Amortised cost	2 798	2 798
Loans receivable	Loans and receivables	Amortised cost	19 720	14 884
Cash and cash equivalents	Loans and receivables	Amortised cost	17 480	17 480
Total financial assets			**39 998**	**35 162**

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018.

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.1 Changes in significant accounting policies (cont.)

Financial assets	IAS 39 carrying amount at 31 December 2017	Reclassification	Remeasurement	IFRS 9 carrying amount at 1 January 2018
Trade and other receivables	2 798	-	-	2 798
Loans receivable	19 720	-	(4 836)	14 884
Cash and cash equivalents	17 480	-	-	17 480
Total financial assets	**39 998**	**-**	**(4 836)**	**35 162**

ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The financial assets at amortised cost consist of trade receivables and cash and cash equivalents.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs; these are ECLs that result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs; these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECLs.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period which the over Group is exposed to credit risk.

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.1 Changes in significant accounting policies (cont.)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Credit-impaired financial assets

At each reporting period, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the new impairment model

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9 impairment requirements at 1 January 2018 results in an additional allowance for impairment as follows.

Loss allowance at 31 December 2017 under IAS 39	258
Additional impairment recognised at 1 January 2018 on:	
Trade and other receivables	-
Cash and cash equivalents	-
Loans receivables	4 836
Loss allowance at 1 January 2018 under IFRS 9	5 094

Trade and other receivables

The Group considers the model and some of the assumptions used in calculating these ECLS as key sources of estimation uncertainty. The ECLs were calculated based on actual credit loss experience.

The determination of the business model within which a financial asset is held was assessed on the basis of the facts and circumstances that existed at the date of initial application.

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.2 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of subsidiaries acquired or disposed during the year are included in the consolidated statement of profit or loss from the date that control commences until the date control ceases.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring them in line with the accounting policies of the Group.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity as transactions with owners acting in their capacity as owners. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

When the Group loses control of a subsidiary, the resulting profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The resulting profit or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.2 Basis of consolidation (cont.)

Business combinations (cont.)
At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date(i.e.the date when the Group obtains control) and the resulting gain or loss,if any,is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed.

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.2 Basis of consolidation (cont.)

Business combinations (cont.)
If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Non-controlling interest (NCI)
NCI is represented by interest in the subsidiaries not owned by the Group. It is determined at the reporting period as interest in the fair value of identified assets and liabilities of the subsidiary at the date of acquisition or creation of a new subsidiary, as well as interest in change in net assets of a subsidiary after the acquisition or creation of a new subsidiary.

The Group provides information on NCI in net assets of subsidiaries and companies not connected with formal structure and not having a common parent company separately from items of equity attributable to the owners of the parent company.

3.3 Foreign currency translation

(a) Transactions and balances
Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities are translated into the functional currency of each company included into the Group, at the rates ruling at the reporting period. Foreign exchange gains and losses, arising from transactions in foreign currency, and also from translation of monetary assets and liabilities into the functional currency of each company included into the Group at the rate ruling at the end of the year, are recognised in profit or loss.

The exchange rates used in preparation of these consolidated financial statements, are as follows:

Currency	31 December 2018	Weighted average for the year 2018	31 December 2017	Weighted average for the year 2017	31 December 2016
US dollar - UAH	27,6883	27,2016	28,0672	26,5947	27,1909

The empowerment of the USD against UAH has resulted in the reduction of various values disclosed in the consolidated financial statements of profit or loss and financial position. This reduction is applicable only in case of translation into presentation currency.

The foreign currencies may be freely convertible to the territory of Ukraine at the exchange rate which is close to the exchange rate established by the National Bank of Ukraine. At the moment, the Ukrainian Hryvnia is not a freely convertible currency outside the Ukraine.

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.3 Foreign currency translation (cont.)

(b) Presentation currency
The financial results and position of each subsidiary are translated into the presentation currency as follows:

- At each reporting period of the consolidated financial statements all the assets and liabilities are translated at the exchange rate of the National Bank of Ukraine and of the European Central Bank at that date;
- Income and expenses are translated at the average exchange rates (except for the cases when such average exchange rate is not a reasonably approximate value reflecting cumulative influence of all exchange rates prevailing at the date of transaction, in which case income and expenses are translated at the exchange rates at the date of transaction);
- All exchange differences are recognised in other comprehensive income.

3.4 Property, plant and equipment

Initial recognition of property, plant and equipment ("PPE")
Property plant and equipment is recognised by the Group as an asset only when:

- it is probable that the Group will receive certain future economic benefits;
- the historical cost can be assessed in a reliable way;
- it is intended for use during more than one operating cycle (usually more than 12 months).

Expenses after the initial recognition of property, plant and equipment
Any subsequent expenses, increasing the future economic benefits from the asset, are treated as additions. Otherwise, the Group recognises subsequent expenses to profit or loss of the year, in which they are incurred. The Group divides all expenses, related to the property, plant and equipment, into the following types:
- current repairs and expenses for maintenance and technical service;
- capital impairment, including modernisation.

Subsequent measurement of property, plant and equipment
After initial recognition as an asset, the Group applies the model of accounting for the property, plant and equipment at historical cost, net of accumulated depreciation and any accumulated losses from impairment, taking into account estimated residual values of such assets at the end of their useful lives. Such cost includes the cost of replacing significant parts of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced from time to time, the Group recognises such parts as individual assets with specific estimated useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying value of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss of the year in which they are incurred.

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.4 Property, plant and equipment (cont.)

Depreciation of property, plant and equipment is calculated using the straight-line method over the estimated useful lives agreed upon with the technical personnel of the Group.

The estimated useful lives of property, plant and equipment are as follows:

Construction in progress	Not depreciated
Buildings	10-75 years
Machinery and equipment	2-30 years
Vehicles	2-15 years
Computers and office equipment	1-10 years
Instruments, tools and other equipment	1-10 years

Residual values and useful lives of assets are reviewed at each reporting period and adjusted if appropriate.

The acquired asset is depreciated starting from the following month of the date of placing into operation and depreciation is fully accumulated when useful life ends.

Derecognition
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 value of the asset) is included in profit or loss of the year in which the asset is derecognised.

Impairment
At each reporting period the Group evaluates whether any indicators of possible impairment of an asset exist. If the recoverable value of an asset or a group of assets within property, plant and equipment is lower than their carrying (residual) value, the Group recognises such asset or group of assets as impaired, and accrues a provision for impairment of the amount of excess of the carrying value over the recoverable value of the asset. Impairment losses are recognised immediately in profit or loss.

Assets under construction
Assets under construction comprise costs directly related to construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Construction in progress is not depreciated. Depreciation of the construction in progress, on the same basis as for other property, plant and equipment items, commences when the assets are available for use, i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by the management.

3.5 Intangible assets

For the purpose of preparation of the consolidated financial statements, the Group defines the following groups of the intangible assets: computer software and land lease rights.

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.5 Intangible assets (cont.)

Computer software
Costs that are directly associated with identifiable and unique computer software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programs are recognised in profit or loss of the year in which they are incurred. Computer software are amortised on a straight-line basis over their useful lives, usually 5 years. Amortisation starts from the following year of the date of placing into operation and is fully accumulated when useful life ends.

Amortisation methods, useful lives and residual values are reviewed at each reporting period and adjusted accordingly.

Land lease rights
Land lease rights acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Land lease rights acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, land lease rights acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as land lease rights acquired separately.

Amortisation of land lease rights is recognised on a straight-line basis over their estimated useful lives. For land lease rights, the amortisation period is 10 years.

The amortisation period and the amortisation method for land lease rights are reviewed at least at the end of each reporting period, with the effect of any changes in estimate being accounted for prospectively.

Derecognition of intangible assets
An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses 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 of the year in which the asset is derecognised.

3.6 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

(i) Trade and other receivables
Trade and other receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method. Trade and other receivables are stated after deducting the appropriate allowances for any impairment.

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.6 Financial instruments (cont.)

(ii) *Prepayments from clients*

Payments received in advance on sale contracts for which no revenue has been recognised yet, are recorded as prepayments from clients as at the reporting date and carried under liabilities.

(iii) *Loans granted*

Loans originated by the Group by providing money directly to the borrower are categorised as loans and are carried at amortised cost. This is defined as the fair value of cash consideration given to originate those loans as is determined by reference to market prices at origination date. All loans are recognised when cash is advanced to the borrower.

An allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

(iv) *Investments*

Investments in securities are classified as financial assets at fair value through profit or loss and are presented at their fair value at the reporting period.

The fair value for investments in listed securities is considered to be the current bid prices and is calculated in accordance with the prices published by the Stock Exchange at the reporting period.

Realised and unrealised gains and losses arising from the change in the fair value of investments are recognised in profit or loss.

(v) *Borrowings*

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(vi) *Trade payables*

Trade payables are initially recognised at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.6 Financial instruments (cont.)

Derecognition of financial assets and liabilities

Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:
- the contractual rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Any interest in such derecognized financial assets that is created or retained by the Group is recognised as a separate asset or liability

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

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.

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.7 Inventories

The Group identifies the following types of inventories:

- raw and other materials (including principal and auxiliary industrial raw and other materials; agricultural purpose materials);
- work-in-progress (including semi-finished products);
- agricultural produce;
- finished goods;
- goods in stock;
- other inventories (including fuel, packaging, construction materials, spare parts, low value items, other materials and consumable supplies).

Work in progress includes the costs incurred during the period, but relating to the preparation of crop areas under sowing for future reporting periods.

Agricultural products derived from biological assets are measured at fair value less costs to sell at the point of harvest. Profit or loss arising upon initial recognition of agricultural products at fair value less estimated costs to sell is recorded in profit or loss as gain/(loss) from changes in value of biological assets and agricultural produce.

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is based on the first-in first-out (FIFO) principle and includes all expenses for acquiring the inventories, conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work in progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and preliminary estimated distribution and selling costs.

The Group regularly reviews inventories to determine whether there are any indicators of damage, obsolescence, slow movement, or a decrease in net realisable price. When such events take place, the amount by which inventories are impaired, is reported in profit or loss.

Impairment of inventories
Cost of inventories may be irrecoverable if the realisable value for such inventories has decreased due to their damage, whole or partial obsolescence or resulting from changes in market prices. Cost of inventories may be irrecoverable if possible costs for completion or sale have increased.

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.7 Inventories (cont.)

Impairment of inventories (cont.)
Raw and other materials in inventories are not written-off below cost, if finished goods, in which they will be included, will be sold at cost or above. However, when decrease in price for raw materials indicates that cost of finished goods will exceed the net realisable value, raw materials are written off to the net realisation value.

At each reporting period the Group analyses inventories to determine whether they are damaged, obsolete or slow-moving or whether their net realisable value has declined. If such situation occurred, the amount by which inventories are impaired is recorded in profit or loss.

3.8 Biological assets

The following groups of biological assets are distinguished by the Group:

(a) current – with useful life of 1 year, including:
- agricultural crops (winter crops, spring crops and industrial crops);
- animals in growing and fattening (cattle);

(b) non-current – with useful life over 1 year:
- work and productive livestock (cattle, etc.).

Biological asset is an animal or plant which in the process of biological transformations can create agricultural products or additional biological assets, as well as bring economic benefits in other ways.

Biological assets are measured at fair value less estimated costs to sell, except in case where fair value cannot be determined reliably. Costs to sell include all costs that would be necessary to sell the assets, including transportation costs.

If there is an active market for a biological asset or agricultural produce, the Group determines the fair value of assets based on their quoted price in the market. If the Group has access to several markets, the definition of fair value is based on the market, which may be used by the Group with the highest probability.

In the absence of an active market, the Group uses one or more of the following indicators to determine the fair value of biological assets:
- price of the most recent transaction in the market, provided that in the period between the date of the transaction and the reporting date there were no significant changes of economic conditions;
- market prices for similar goods;
- sectorial indices.

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.8 Biological assets (cont.)

In case where there are no market prices or other value indicators to determine the fair value in respect of the biological asset at a particular time, the Group uses the discounted value of the asset's expected net cash flows, while applying a discount coefficient, calculated on the basis of current market conditions for cash flow before tax.

Where there is no information about market prices upon the initial recognition of biological asset, and alternative estimates of fair value are clearly unreliable, such biological asset is valued at cost less accumulated depreciation and impairment losses. Once there is the possibility to determine the fair value of biological assets with reasonable reliability, the biological asset is revalued at fair value less estimated costs to sell (this principle applies only at initial recognition of the biological asset). If the Group has previously valued the biological asset at fair value less estimated costs to sell, this biological asset is recorded at fair value less estimated costs to sell up to the moment of its disposal.

The difference between the fair value less estimated costs to sell and production cost of biological assets is recorded in profit or loss as gain/(loss) from changes in value of biological assets and agricultural products.

Biological assets and future harvest costs
Cost of crops for future harvest consists of actual costs incurred in growing harvest (including lease expenses, costs of land preparation, planting, fertilising, processing, collection, storage). The fair value of winter crops at the end of the year is approximate to its cost due to a minor biological transformation of seeds at the end of the year, significant impact of cultivation quality, weather conditions and precipitation on future harvest, variations in market demand for future harvest. Crops for future harvest are measured at cost.

3.9 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, cash in transit, issued letters of credit and call deposits.

3.10 Impairment of non-current assets

The Group assesses at each reporting period the carrying value of its non-current assets to determine whether there is any objective evidence that non-current assets are impaired. If any such evidence exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the cash-generating unit to which the asset belongs (the asset’s cash-generating unit).

The expected recoverable amount of a cash-generating unit is the highest of the cash-generating unit’s selling value and its value in use. In estimating value in use, the future cash flows are discounted to present value using a discount rate before taxation which reflects current market assessments of the time value of money and the risks specific to the asset.

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.10 Impairment of non-current assets (cont.)

If the expected recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying value, the carrying value of the asset (or cash-generating unit) shall be reduced to its recoverable amount. That reduction is an impairment loss, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset shall be treated as a revaluation deficit. If the impairment loss is reversed subsequently, then carrying value of an asset (or cash-generating unit) increases to the revised and estimated amount of its recoverable amount, where increased carrying value does not exceed the carrying value which could be determined only in that case if impairment loss for an asset (or cash-generating unit) was not recognised in the previous years. Reversal of the impairment loss is recognised in profit or loss.

3.11 Advances issued and other accounts receivable which are not financial assets

Advances issued are recorded at nominal value less value added tax and any accumulated impairment losses. Other current assets are recorded at nominal cost less accumulated impairment losses.

Impairment of advances issued is recognised if there is objective evidence that repayment of the full amount of the debt does not occur within the contract terms, including the incoming information about substantial financial difficulties of the debtor, the possibility of recognition a debtor as a bankrupt, or probability of debtor's reorganisation, in case of refusal from delivery, etc. Impairment of advances issued and other non-financial current assets is reflected according to order described in subparagraph 'Impairment of Assets' of Note 12.

Advances issued under the contracts for the purchase of property, plant and equipment are recorded in section 'Other non-current assets' of consolidated statement of financial position.

3.12 Value added tax (VAT)

In Ukraine VAT standard rate is 20% on imports and sale of goods and services in the territory of Ukraine and 0% rate for all exports and services rendered outside Ukraine.

The VAT liability is equal to the total amount of VAT accrued during the reporting period and arises at the earlier of goods shipment to the customer or at the date of receipt of payment from the client.
VAT credit is the amount by which a taxpayer is entitled to reduce his/her VAT liabilities in the reporting period. The right to VAT credit arises on the earlier of the date of payment to supplier or the date of receipt of goods by the Company.

- the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- receivables and payables are stated including the value added tax.

For the Cyprus Company VAT of 19% applies on expenses.

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.12 Value added tax (VAT) (cont.)

The Group classifies VAT recoverable arising from its operating activities and its capital expenditures. The balance of VAT recoverable may be realised by the Group either through a cash refund from the state budget or by sett off against VAT liabilities with the state budget in future periods.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

3.13 Income tax

Current income tax

Current income 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 period, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss and other comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

The majority of Groups entities are registered as tax payers of fixed agricultural tax and therefore are not payers of corporate tax.

3.14 Revenue recognition

Revenue comprises the invoiced amount for the sale of goods and services net of Value Added Tax, returns, volume rebates and trade discounts. Revenues earned by the Group are recognised on the following bases:
Sale of Goods
Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs of possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Services
Sales of services are recognised in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

3.15 Finance income and costs

Finance income comprises of interest income. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.15 Finance income and costs (cont.)

Finance costs comprise interest expense on borrowings and bank charges.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which necessarily requires significant time to be prepared for use in accordance with the Group's intentions or for sale, are capitalised as the part of initial value of such asset. All other borrowing costs are expensed in profit or loss in the period they were incurred. Borrowing costs include interest payments and other expenses incurred by the Group related to borrowings.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.16 Assets held for sale or distribution

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale or distribution, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

3.17 Leases

At inception of an arrangement, the Group determines whether an arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and liability are recognised at an amount equal to the fair value of the underlying asset, subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using a Group's incremental borrowing rate.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.17 Leases (cont.)

Finance leases - The Group as lesee

The leases of the Group are classified as finance leases, if they transfer to the Group substantially all the risk and rewards incidental to ownership of an asset. The Group recognises a finance lease as an asset and liability at the lower of the fair value of the leased asset and the present value of minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

The payments are appointed between the finance expenses and the decrease of the finance lease obligations based on the effective interest method.

Operating leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

3.18 Distribution of dividends

The amount payable to the Owners of the Company in the form of dividends is recognised in the financial statements of the Group in the period the dividends were approved by the Owners of the Company.

3.19 Contingent assets and liabilities

Contingent liabilities represent the possible commitments of the Group arising from past events, which existence will be confirmed only as a result of occurrence or non-occurrence of one or more future events, that are not under the full control of the Group, or current liabilities arising from past events not recognized in the financial statements in connection with the fact that the Group does not consider the outflow of resources providing economic benefits and required for liabilities settlements as expected ones, or the amount of liabilities cannot be reliably measured.

The Group does not recognize contingent liabilities in financial statements. The Group discloses information about contingent liabilities in the notes to the financial statements unless the probability of outflow of resources required to settle the liability, is unlikely.
Contingent assets represent the possible assets of the Group arising from past events, which existence will be confirmed only as a result of occurrence or non-occurrence of one or more future events that are not under the full control of the Group. The Group does not recognize contingent assets in the financial statements. The Group discloses information about contingent assets in the notes to financial statements, if the flow of economic benefits is likely to occur.

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.20 Provisions

A provision is a liability of uncertain amount or timing. Provisions are recognised if as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of resources embodying economic benefits will be required to settle 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 the consolidated statement of profit or loss and other comprehensive income 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.

3.21 Operating segments

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and tax assets and liabilities.

The Group is organised by reportable segments and this is the primary format for segmental reporting. Each reportable segment provides products or services which are subject to risks and rewards that are different than those of other reportable segments.
The Group presents its geographical analysis for segmental revenue by customer location and for assets based on the asset's location. The Group operates mainly in Ukraine.

3.22 Discontinued operations

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale (see note 3.16), if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year

3.23 Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received and the nominal value of share capital issued is taken to share premium. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.24 Employee benefits

Post employee benefits
The Group contributes to the State Pension Fund of Ukraine and the social insurance funds for the benefit of its employees (defined benefits). The Group's contributions are expensed as incurred.

Current employee benefits
Employee salaries are expensed in the reporting period in which such work is performed.

3.25 Events after the reporting period

The Group adjusts the consolidated financial statements amounts if events after the reporting period demand adjustments. Events after the reporting period requiring adjustments of the consolidated financial statements amounts relate to the confirmation or contradiction of the circumstances prevailing at the reporting period, as well as estimates and judgments of management, which are made under conditions of uncertainty and incompleteness of information at the reporting period.

If non-adjusting events that occurred after the reporting period are significant, non-disclosure of information about them may affect the economic decisions of users which are made on the basis of these consolidated financial statements. Accordingly, the Group discloses the nature of such events and estimates of their financial effect or states the impossibility of such estimate for each material category of non-adjusting events that occurred after the reporting period.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the consolidated financial statements in accordance with IFRS requires from management to exercise judgment, to make estimates and assumptions that influence the application of accounting principles and the reported amounts of assets, liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on knowledge available at that time. Actual results may deviate from such estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described below.

(in USD thousand, unless otherwise stated)

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (cont.)

4.1 Useful life of property, plant and equipment

The Group estimates the remaining useful life of property, plant and equipment at least once a year at the end of the fiscal year. Should the expectations differ from previous estimates, changes are accounted for as changes in accounting estimates in accordance with IAS 8 'Accounting Policy, Changes in Accounting Estimates and Errors'. These estimates may have a significant effect on the carrying value of property, plant and equipment and depreciation recognised in profit or loss.

4.2 Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

4.3 Impairment of receivables

The Group reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record and the customer's overall financial position.

The Group provides for doubtful debts to cover potential losses when a customer may be unable to make necessary payments. In assessing the adequacy of provision for doubtful debts, management considers the current economic conditions in general, the age of accounts receivable, the Group's experience in writing off of receivables, solvency of customers and changes in conditions of settlements. Economic changes, industry situation or financial position of separate customers may result in adjustments related to the amount of provision for doubtful debts reflected in the consolidated financial statements as impairments of receivables.

Additionally a general provision for doubtful debts is provided on all receivables due for more than 365 days.

Bad debts which maturity has already expired are written-off from the consolidated statement of financial position along with a corresponding adjustment to the provision for doubtful debts.

Bad debts which are subsequently recovered are reversed in the consolidated financial statements through profit or loss.

The Group does not accrue provisions for doubtful debts on balances with related parties regardless of the origin date of current debt.

(in USD thousand, unless otherwise stated)

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (cont.)

4.4 Legal proceedings

The Group's Management applies significant assumptions in the measurement and recognition of provisions for and risks of exposure to contingent liabilities related to existing legal proceedings and other unsettled claims, and also other contingent liabilities. Management's judgment is required in estimating the probability of a successful claim against the Group or the crystallising of a material obligation, and in determining the probable amount of the final settlement or obligation. Due to uncertainty inherent to the process of estimation, actual expenses may differ from the initial estimates. Such preliminary estimates may alter as new information is received, from internal specialists within the Group, if any, or from third parties, such as lawyers. Revision of such estimates may have a significant effect on the future results of operating activity.

4.5 Impairment of obsolete and surplus inventory

At each reporting period the Group assesses the necessity to impair obsolete and surplus inventory. The Group analyses inventories to determine whether they are damaged, obsolete or slow-moving or whether their net realisable value has declined. If such necessity exists, the reserve is calculated and necessary adjustments are made.

Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and preliminary estimated distribution and selling costs. The Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting period.

4.6 Taxation

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective regions in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group companies' domicile.

Cyprus taxes
Significant judgment is required in determining the provision for Cyprus direct and indirect 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 tax and deferred tax provisions in the period in which such determination is made.

(in USD thousand, unless otherwise stated)

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (cont.)

4.6 Taxation (cont.)

In Management's opinion, the Company is in substantial compliance with the tax laws governing its operations. However, the risk remains that the relevant authorities could take different positions with regard to interactive issues and the effect could be significant.

The Company met the tax filing in Cyprus. To the best of Management's knowledge, no breaches of tax law have occurred. Thus, the Company has not recorded any provisions for potential impact of any such breaches at the reporting period.

4.7 Contingent liabilities

Contingent liabilities are determined by the occurrence or non-occurrence of one or more future events. Measurement of contingent liabilities is based on management's judgments and estimates of the outcomes of such future events. In particular, the tax laws in Ukraine are complex and significant management judgement is required to interpret those laws in connection with the tax affairs of the Group, which is open to challenge by the tax authorities. Additionally, the economic and political situation in Ukraine may have an impact (note 34 to the consolidated financial statements).

4.8 VAT

Management classified VAT recoverable balance as current based on expectations that will be realised within twelve months from the reporting period. In addition management assessed whether the allowance for irrecoverable VAT needs to be created.

In making this assessment, management considers past history of receiving VAT refunds from the state budget. For VAT recoverable expected to be set off against VAT liabilities in future periods, management based its estimates on detailed projections of expected excess of VAT input over VAT output in the normal course of business.

4.9 Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the CFO.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Board of Directors.

(in USD thousand, unless otherwise stated)

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (cont.)

4.9 Measurement of fair values (cont.)

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- *Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2:* inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the relevant notes.

4.10 Ukrainian business environment

The Group conducts its operations mainly in Ukraine. Ukraine's political and economic situation has deteriorated significantly since 2014. Following political and social unrest in early 2014, in March 2014, various events in Crimea led to the accession of the Republic of Crimea to the Russian Federation, which was not recognised by Ukraine and many other countries. This event resulted in a significant deterioration of the relationship between Ukraine and the Russian Federation. Following the instability in Crimea, regional tensions have spread to the Eastern regions of Ukraine, primarily Donetsk and Lugansk regions. In May 2014, protests in those regions escalated into military clashes and armed conflict between supporters of the self-declared republics of the Donetsk and Lugansk regions and the Ukrainian forces, which continued throughout the date of these financial statements. As a result of this conflict, part of the Donetsk and Lugansk regions remains under control of the self-proclaimed republics, and Ukrainian authorities are not currently able to fully enforce Ukrainian laws on this territory.

(in USD thousand, unless otherwise stated)

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (cont.)

4.10 Ukrainian business environment (cont.)

Political and social unrest combined with the military conflict in the Donetsk and Lugansk regions has deepened the ongoing economic crisis, caused a fall in the country's gross domestic product and foreign trade, deterioration in state finances, depletion of the National Bank of Ukraine's foreign currency reserves, significant devaluation of the national currency and a further downgrading of the Ukrainian sovereign debt credit ratings. Following the devaluation of the national currency, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions, which among others included restrictions on purchases of foreign currency by individuals and companies, the requirement to convert 50% (2016: 65%) of foreign currency proceeds to local currency, a ban on payment of dividends abroad, a ban on early repayment of foreign loans and restrictions on cash withdrawals from banks. These events had a negative effect on Ukrainian companies and banks, significantly limiting their ability to obtain financing on domestic and international markets.

In September 2017, Ukraine successfully issued USD 3 billion of Eurobonds, of which USD 1.3 billion is new financing, with the remaining amount aimed to refinance bonds due in 2019.

During 2018 the Ukrainian economy proceeded with recovery from the economic and political crisis of previous years and demonstrated a sound GDP growth of 3.4% (2017: 2.5%), decline in annual inflation of 9.8% (2017: 13.7%), and relatively stable foreign exchange rate of Ukrainian national currency. Further economic growth depends, to a large extent, upon success of the Ukrainian government in the implementation of planned reforms, cooperation with the International Monetary Fund, and a smooth transition through presidential and parliamentary elections due in March and October 2019, respectively.

The final resolution and the effects of the political and economic crisis are difficult to predict but may have further severe effects on the Ukrainian economy.

Whilst management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, a continuation of the current unstable business environment could negatively affect the Group's results and financial position in a manner not currently determinable. These consolidated financial statements reflect management's current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

5. REVENUE

	2018	2017
Sales of goods	56 683	51 368
Rendering of services	506	417
Total	**57 189**	**51 785**

(in USD thousand, unless otherwise stated)

5. REVENUE (cont.)

Revenue generated from sale of goods was as follows:

	2018	2017
Livestock and related revenue	3 837	3 951
Winter wheat	19 355	23 198
Sunflower	14 029	5 735
Vegetable oil and protein meals	18 652	17 093
Corn in grain	307	830
Other agricultural crops	503	561
Total	**56 683**	**51 368**

Sales volume for main agricultural products in tonnes was as follows:

	2018 tonnes	2017 tonnes
Winter wheat	115 077	170 937
Sunflower	44 789	18 001
Vegetable oil and protein meals	38 906	37 701
Corn in grain	2 273	6 688
Total	**201 045**	**233 327**

Sales volume for milk yield for the year ended 31 December 2018 was 10 664 tonnes (2017: 11 370 tonnes).

Revenue generated from rendering of services relates to storage and handling services granted to third parties.

Livestock and related revenue includes revenue from milk and other livestock related products.

6. COST OF SALES

	2018	2017
Livestock and related operations	3 562	3 694
Plant breeding and related operations	37 810	38 601
Vegetable oil and protein meals	15 911	15 875
Other activities	2 293	1 164
Total	**59 576**	**59 334**

(in USD thousand, unless otherwise stated)

7. NET CHANGE IN FAIR VALUE LESS COST TO SELL OF BIOLOGICAL ASSETS AND AGRICULTURAL PRODUCE

	2018	2017
Non-current biological assets	(23)	(209)
Current biological assets	22 372	24 123
Total	**22 349**	**23 914**

The net change in fair value less costs to sell per type of biological asset was:

	2018	2017
Animals in growing and fattening	(893)	(1 445)
Crops under cultivation (Note 19)	23 242	25 359
Total	**22 349**	**23 914**

8. OTHER OPERATING INCOME

	Note	2018	2017
Government grants		150	92
Income from reversal of impairment of PPE	17	19	414
Trade payables written-off		102	50
Other income		83	48
Total		**354**	**604**

9. ADMINISTRATIVE EXPENSES

	Note	2018	2017
Personnel expenses	15	3 137	1 448
Depreciation charge	16	47	38
Transportation expenses		176	208
Materials		18	14
Insurance		3	3
Professional fees		201	266
Communication services		48	44
Other expenses		737	621
Total		**4 367**	**2 642**

(in USD thousand, unless otherwise stated)

10. DISTRIBUTION EXPENSES

	Note	2018	2017
Personnel expenses	15	2	3
Transportation expenses		1 528	1 133
Other expenses		179	224
Total		**1 709**	**1 360**

11. OTHER OPERATING EXPENSES

	Note	2018	2017
Depreciation charge	16	74	42
Loss on disposal of property, plant and equipment	13	57	64
Loss on disposal of land lease rights		9	300
Loss on disposal of current assets		22	17
Wastages and impairment of inventories		2 211	3 446
Fines and penalties		36	178
Donations		20	20
Other expenses		289	287
Total		**2 718**	**4 354**

12. IMPAIRMENT LOSSES

The Group's assets were impaired due to the military conflict in Eastern Ukraine. As a result, the Group has tested the related product lines for impairment and has recognised impairment losses for the following assets:

	Note	2018	2017
Impairment of property plant and equipment	17	-	29
Total		**-**	**29**

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(in USD thousand, unless otherwise stated)

13. OPERATING PROFIT

Operating profit is stated after charging the following items:

	Note	2018	2017
Depreciation of property, plant and equipment	17	1 470	1 102
Amortisation of intangible assets	18	1 115	1 149
Loss on disposal of property, plant and equipment	11	57	64
Personnel expenses	15	9 684	7 075
Independent auditors' remuneration for the statutory audit of annual accounts		51	51

14. NET FINANCE COSTS

	2018	2017
Interest income	2 903	2 488
Gain on foreign exchange differences	814	
Finance income	**3 717**	**2 488**
Interest on non-bank loans	(18)	(15)
Interest on notes	(444)	(451)
Loss on foreign exchange differences		(2 154)
Finance costs	**(462)**	**(2 620)**
Net finance costs	**3 255**	**(132)**

15. PERSONNEL EXPENSES

	2018	2017
Wages and salaries	8 379	5 976
Contributions to state funds	1 305	1 099
Total	**9 684**	**7 075**

Payroll and related taxes were presented as follows:

	Note	2018	2017
Production personnel		6 545	5 624
Administrative personnel	9	3 137	1 448
Distribution personnel	10	2	3
Total	13	**9 684**	**7 075**

(in USD thousand, unless otherwise stated)

15. PERSONNEL EXPENSES (cont.)

The number of employees were presented as follows:

	2018	2017
Average number of employees, persons	1 998	2 009
Key management personnel	11	12

16. DEPRECIATION AND AMORTISATION

	Note	2018	2017
Depreciation charge:			
Depreciation of production property, plant and equipment		1 349	1 022
Administrative expenses	9	47	38
Other expenses	11	74	42
Total	17	**1 470**	**1 102**
Amortisation charge:			
Amortisation of land lease rights		1 115	1 149
Total	18	**1 115**	**1 149**
Total depreciation and amortisation		**2 585**	**2 251**

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For the year ended 31 December 2018

(in USD thousand, unless otherwise stated)

17. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Buildings	Equipment	Vehicles	Computers and office equipment	Instruments, tools and other equipment	Total
Cost							
Balance at 1 January 2017	645	10 982	10 852	1 976	77	91	24 623
Additions	69	47	3 835	125	26	16	4 118
Disposals	(50)	(53)	(66)	(11)	(2)	(2)	(184)
Transfers	(31)	30	1	-	-	-	-
Effect from translation into presentation currency	(20)	(344)	(536)	(68)	(3)	(3)	(974)
Balance at 31 December 2017	**613**	**10 662**	**14 086**	**2 022**	**98**	**102**	**27 583**
Balance at 1 January 2018	613	10 662	14 086	2 022	98	102	27 583
Additions	547	715	5 139	109	31	23	6 564
Disposals	-	(11)	(123)	(3)	(2)	(1)	(140)
Transfers	(419)	404	14	-	-	-	(1)
Effect from translation into presentation currency	6	143	107	27	1	1	285
Balance at 31 December 2018	**747**	**11 913**	**19 223**	**2 155**	**128**	**125**	**34 291**

The reclassification of depreciation was made in order to disclose the property, plant and equipment groups more properly.

AGROTON PUBLIC LIMITED

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For the year ended 31 December 2018

(in USD thousand, unless otherwise stated)

17. PROPERTY, PLANT AND EQUIPMENT (cont.)

	Construction in progress	Buildings	Equipment	Vehicles	Computers and office equipment	Instruments, tools and other equipment	Total
Accumulated depreciation and impairment losses							
Balance at 1 January 2017	329	8 640	7 798	1 663	58	79	18 567
Charge for the year	-	219	804	65	8	6	1 102
On disposals	-	(33)	(63)	(11)	(2)	(2)	(111)
Impairment	-	-	29	-	-	-	29
Reversal Impairment	(288)	(61)	(64)	(1)	-	-	(414)
Effect from translation into presentation currency	5	(277)	(281)	(55)	(2)	(2)	(612)
Balance at 31 December 2017	**46**	**8 488**	**8 223**	**1 661**	**62**	**81**	**18 561**
Balance at 1 January 2018	46	8 488	8 223	1 661	62	81	18 561
Charge for the year	-	229	1 141	75	15	10	1 470
On disposals	-	(11)	(65)	(3)	(1)	(1)	(81)
Transfers	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Reversal Impairment	-	(16)	(2)	(2)	-	-	(20)
Effect from translation into presentation currency	-	113	93	22	-	1	229
Balance at 31 December 2018	**46**	**8 803**	**9 390**	**1 753**	**76**	**91**	**20 159**
Carrying amounts:							
As at 1 January 2017	**316**	**2 342**	**3 054**	**313**	**19**	**12**	**6 056**
As at 31 December 2017	**567**	**2 174**	**5 863**	**361**	**36**	**21**	**9 022**
As at 31 December 2018	**701**	**3 110**	**9 833**	**402**	**52**	**34**	**14 132**

(in USD thousand, unless otherwise stated)

17. PROPERTY, PLANT AND EQUIPMENT (cont.)

The property, plant and equipment were impaired due to the military conflict in Eastern Ukraine. As a result, the Group has tested the related product lines for impairment and no additional charge was recognized in 2018 (2017: USD 29 thousand).

Due to political and economic developments and military conflict in Eastern Ukraine, the Group has temporarily suspended the investment plan for the upgrading of SJSC Khlib Ukraine Novoaydarskyy Elevator. The management has the intention to resume with the investment plan as soon as the conditions in Eastern Ukraine allow this. The total amount spent up to 31 December 2014 for the upgrading of the elevator amounted to USD 961 thousand.

Additionally, during 2015 due to raider attack the Group lost control over Novoaydarskyy Elevator, which has been lawfully rented by the Group from 2000. As a result in 2015 the amount of USD 642 thousand of upgrading was impaired.

In July 2018, Group’s subsidiary Agroton PJSC acquired 100% interest in LLC Siverskyi Elevator for a purchase consideration of USD 630 thousand. The acquisition of this subsidiary does not constitute a business therefore the cost was recognised as assets (items of property, plant and equipment, with the main item being a storage facility).

(in USD thousand, unless otherwise stated)

18. INTANGIBLE ASSETS

	Computer software	**Land lease rights**	**Total**
Cost			
Balance as at 1 January 2017	**11**	**13 091**	**13 102**
Disposals	-	(660)	(660)
Effect from translation into presentation currency	-	(374)	(374)
Balance as at 31 December 2017	**11**	**12 057**	**12 068**
Balance as at 1 January 2018	11	12 057	12 068
Additions	42	-	42
Disposals	-	(20)	(20)
Effect from translation into presentation currency	(1)	165	164
Balance as at 31 December 2018	**52**	**12 202**	**12 254**
Accumulated amortisation and impairment losses			
Balance as at 1 January 2017	**11**	**6 830**	**6 841**
Amortisation charge	-	1 149	1 149
Disposals	-	(360)	(360)
Effect from translation into presentation currency	-	(255)	(255)
Balance as at 31 December 2017	**11**	**7 364**	**7 375**
Balance as at 1 January 2018	11	7 364	7 375
Amortisation charge	-	1 115	1 115
Disposals	-	(12)	(12)
Effect from translation into presentation currency	-	82	82
Balance as at 31 December 2018	**11**	**8 549**	**8 560**
Carrying amounts:			
As at 1 January 2017	**-**	**6 261**	**6 261**
As at 31 December 2017	**-**	**4 693**	**4 693**
As at 31 December 2018	**41**	**3 653**	**3 694**

The ownership of land lease rights previously held by subsidiary companies Gefest LLC, Alinco PE, Tais-Abb PE and LLC Lugastan have been transferred to Agroton PJSC and PE Agricultural Production Firm Agro.

AGROTON PUBLIC LIMITED

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(in USD thousand, unless otherwise stated)

19. BIOLOGICAL ASSETS

Biological assets were presented as follows:

	2018	2017
Crops under cultivation	7 329	5 565
Animals in growing and fattening	1 448	1 045
Total current biological assets	**8 777**	**6 610**
Cattle	1 451	1 478
Other	1	2
Total non-current biological assets	**1 452**	**1 480**
Total	**10 229**	**8 090**

19.1 Crops under cultivation

At 31 December 2018 and 31 December 2017 the crops under cultivation were presented as follows:

	31 December 2018		31 December 2017	
	Thousands of hectares	Carrying values	Thousands of hectares	Carrying values
Winter wheat plantings	37	7 309	36	5 514
Other plantings	1	20	1	51
Total	**38**	**7 329**	**37**	**5 565**

The reconciliation of crops under cultivation carrying value was presented as follows:

	2018	2017
At 1 January	**5 565**	**4 395**
Increase in value as a result of capitalisation of cost	33 913	30 642
Decrease in value as a result of harvesting	(55 241)	(54 622)
Gain from presentation of biological assets at fair value (note 7)	23 242	25 359
Other changes (including impairment of harvest failure)	-	-
Effect from translation into presentation currency	(150)	(209)
At 31 December	**7 329**	**5 565**

(in USD thousand, unless otherwise stated)

19. BIOLOGICAL ASSETS (cont.)

19.1 Crops under cultivation (cont.)

The main crops harvested and the fair value at the time of harvesting was as follows:

	31 December 2018		31 December 2017	
	Volume, tonnes	Amount, USD thousand	Volume, tonnes	Amount, USD thousand
Winter wheat	144 961	23 375	177 234	27 011
Sunflower	85 910	28 837	74 119	24 853
Corn	2 608	381	6 763	952
Other sowing	79 552	2 648	66 074	1 806
Total	**313 031**	**55 241**	**324 190**	**54 622**

Expenses capitalised in biological assets mainly include fertilisers, fuel, seeds, labour and the operating lease rentals.

19.2 Non-current biological assets and animals in growing and fattening

Non-current biological assets:

	31 December 2018		31 December 2017	
	Number, heads	Fair value	Number, heads	Fair value
Cattle	2 014	1 451	2 176	1 478
Horses	1	1	3	2
Total		**1 452**		**1 480**

Animals in growing and fattening:

	31 December 2018		31 December 2017	
	Number, heads	Fair value	Number, heads	Fair value
Cattle	2 402	1 448	2 822	1 045
Total		**1 448**		**1 045**

(in USD thousand, unless otherwise stated)

19. BIOLOGICAL ASSETS (cont.)

19.2 Non-current biological assets and animals in growing and fattening (cont.)

Reconciliation of non-current biological assets carrying value was presented as follows:

	2018	2017
At 1 January	**1 480**	**1 840**
Decrease in value due to sale of assets	75	-
Increase in value as a result of capitalisation of cost	2 822	2 829
Decrease in value as a result of harvesting agricultural products	(2 979)	(2 999)
Loss from presentation of biological assets at fair value	(23)	(209)
Other changes	57	58
Effect from translation into presentation currency	20	(39)
At 31 December	**1 452**	**1 480**

Expenses capitalised in biological assets of animals include mixed folder, electricity, labour, depreciation and other.

Reconciliation of animals in growing and fattening carrying value was presented as follows:

	2018	2017
At 1 January	**1 045**	**1 380**
Increase in value as a result of capitalisation of cost	1 317	1 412
Decrease in value as a result of harvesting agricultural products	(12)	(11)
Decrease in value as a result of sale of assets	(460)	(410)
Other changes	(63)	(60)
Gain from presentation of biological assets at fair value	(387)	(1 237)
Effect from translation into presentation currency	8	(29)
At 31 December	**1 448**	**1 045**

20. INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets designated at fair value through profit or loss represent equity securities of Bank of Cyprus converted into shares after the decree issued by Central Bank of Cyprus on 29 March 2013. Based on that decree and the measurements for recapitalization of Bank of Cyprus, 47,5% of the uninsured deposits of the affected deposits have been converted into Bank of Cyprus shares.

In August 2013, pursuant to the above measurements, Bank of Cyprus, has issued to the Company 1 591 105 shares with nominal value €1,00 each. These shares have been identified, classified and measured according to the relevant provisions of IAS 39 "Financial instruments: Recognition and Measurement" and IFRS 13 "Fair Value Measurement".

(in USD thousand, unless otherwise stated)

20. INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (cont.)

The Company held 1 591 105 shares with fair value €0,140 cents. In January 2017, the shares in Bank of Cyprus Public Company Limited were exchanged with new shares of Bank of Cyprus Holding Plc listed in both London Stock Exchange and in Cyprus Stock Exchange with nominal value of €0,10 cents each. At 31 December 2017 the Company held 79 555 shares in Bank of Cyprus Holding Plc with fair value €2,47 each. At 31 December 2018, the fair value of the shares held was €1,5520 each.

The exposure of the Company to market risk in relation to financial assets is reported in note 36 to the consolidated financial statements.

21. LOANS RECEIVABLE

	Note	2018	2017
Current assets			
Loans to related parties	32	16 274	14 884
Loans to third parties		5 767	4 836
Provision for impairment		(5 767)	-
Total		**16 274**	**19 720**

- On 29 June 2012, the Company has entered into a loan agreement with Stimi Agri Limited amounting to USD 2 million. The loan bears interest of 20% per annum and expired on 29 June 2013. On 28 June 2013 the two parties agreed to postpone the repayment date to 31 December 2014. During 2014 the two parties agreed to further postpone the repayment date to 31 December 2015. During 2015 the two parties agreed to further postpone the repayment date to 31 December 2016. During 2016 the two parties agreed to further postpone the repayment date to 31 December 2017. During 2018 the two parties agreed to postpone the repayment date to 31 December 2018. The above loan is unsecured.

- On 29 June 2012, the Company has entered into a loan agreement with Stiomi Agri Limited amounting to USD 2 million. The loan bears interest at a rate of 10% per annum and expired on 29 December 2013. On 28 June 2013 the two parties agreed to postpone the repayment dates to 31 December 2014. During 2014 the two parties agreed to further postpone the repayment to 31 December 2015. During 2015 the two parties agreed to further postpone the repayment date to 31 December 2016. During 2016 the two parties agreed to further postpone the repayment date to 31 December 2017.During 2018 the two parties agreed to postpone the repayment date to 31 December 2018. The above loan is unsecured.

- On 4 March 2013, the Company has entered into a loan agreement with Agriland Trading Limited amounting to USD 10 million. The loan bears interest at a rate of 20% and expired on 4 March 2014. During 2014 the two parties agreed to further postpone the repayment to 31 December 2015. During 2015 the two parties agreed to further postpone the repayment date to 31 December 2016. During 2016 the two parties agreed to further postpone the repayment date to 31 December 2017. During 2018 the two parties agreed to postpone the repayment date to 31 December 2018. The above loan is unsecured.

(in USD thousand, unless otherwise stated)

21. LOANS RECEIVABLE (cont.)

- On 1 October 2013, the Company has entered into a loan agreement with Hoyt Network Limited amounting to USD 10 million. The loan bears interest at a rate of 10% and expired on 1 October 2014. During 2014 the two parties agreed to further postpone the repayment to 1 October 2015. During 2015 the two parties agreed to further postpone the repayment date to 31 December 2016. During 2016 the two parties agreed to further postpone the repayment date to 31 December 2017. During 2018 the two parties agreed to postpone the repayment date to 31 December 2018. The above loan is unsecured.

The exposure of the Group to credit risk is reported in note 36 to the consolidated financial statements.

22. OTHER NON-CURRENT ASSETS

	2018	2017
Prepayments:		
Prepayments for the immediate right to use the elevator	10 000	10 000
Less: Provisions for impairment	(7 922)	(7 922)
Less: amortisation	(2 078)	(2 078)
Prepayments for the immediate right to use elevator	-	-
Total	-	-

On 20 July 2011, PE Agricultural Production Firm “Agro” entered into an investment agreement with SJSC Khlib Ukraine Novoaydarskyy Elevator, in respect of the Novoaydarskyy Elevator. Based on the agreement PE APF “Agro” undertakes to invest USD 1 155 thousand for the upgrading of the elevator until 20 July 2021 and upon completion of the project, “Agro” will become the 54% owner of the elevator while the remaining 46% will continue to be owned by the existing owner. In case “Agro” invests additional amounts in the upgrading of the elevator, its participation in the ownership rights will increase. The grain elevator with a total storage capacity of 130 000 tons was previously rented by the Group as part of its operations.

During the year 2011, Agroton Public Ltd made a prepayment of USD 10 000 thousand in relation to this investment agreement specifically for its rights to secure use of this elevator. The fair value of these rights was evaluated at USD 6 928 thousand hence an impairment loss of USD 3 072 thousand was accounted for in the consolidated statement of profit or loss.

The total amount spent by PE Agro for the upgrading of the elevator amounted to USD 961 thousand. The cost is included in construction in progress in property, plant and equipment.

Following the development in Eastern Ukraine, due to raider attack during 2015, the Company lost the control of the elevator, hence an impairment loss of USD 4 850 thousand (representing the net book value) was recognised in profit or loss.

(in USD thousand, unless otherwise stated)

23. INVENTORIES

	2018	2017
Raw materials	2 167	3 002
Work-in-progress	3 769	3 106
Agricultural produce	17 042	19 931
Finished goods	4	9
Other	1 307	1 129
Total	**24 289**	**27 177**

Work-in-progress

Work in progress includes expenditure capitalised in respect of 55 thousand hectares (2017: 61 thousand hectares) of plough land prepared for sowing in the current or following year.

Agricultural produce

The main agricultural produce was as follows:

	2018	2017
Winter wheat	2 674	421
Sunflower	13 391	18 464
Corn	232	388
Other agricultural crops	745	658
Total	**17 042**	**19 931**

As at 31 December 2018 and 31 December 2017 the main agricultural produce volume in tonnes was as follows:

	2018	2017
Winter wheat	16 684	3 217
Sunflower	40 492	58 114
Corn	1 592	3 119
Total	**58 768**	**64 450**

At 31 December 2018 there were no loans secured by inventories (2017: nil).

During the year inventory of USD 2 211 thousand was included into other operating expenses as wastage due to mandatory clearing and drying processes in the elevators (2017: USD 3 446 thousand).

Inventories were impaired due to the military conflict in Eastern Ukraine, with the main impact being attributable to 2014 and 2015. The Group has tested the related product lines for impairment and no additional charge was recognized in 2018 (2017: nil).

(in USD thousand, unless otherwise stated)

24. TRADE AND OTHER RECEIVABLES

	Note	2018	2017
Trade receivables		1 369	2 995
Provision for impairment of trade receivables	25	(4)	(258)
Trade receivables, net		1 365	2 737
Prepayments to suppliers		3 278	1 725
Other receivables		33 764	33 343
Provision for impairment of prepayments and other receivables	25	(33 226)	(33 210)
VAT recoverable		248	460
Total		**5 429**	**5 055**

On 29 June 2012, the Company entered into a preliminary agreement with Stiomi Agri Limited ('Seller') for the acquisition of 100% of the issued share capital of Private Enterprise 'Peredilske'. The parties agreed that the price for transfer of the company's shares amounting to USD 23 080 000.

On 26 December 2012, the Company entered into a preliminary agreement with Stiomi Agri Limited ('Seller') for the acquisition of 100% of the issued share capital of Limited Liability Company 'Skhid Potencial-Resurs'. The parties agreed that the price for transfer of the company's shares shall amount to USD 10 000 000.

On 3 September 2013 both agreements for the acquisition of PE “Peredilske” and of LLC “Skhid-Potencial-Resurs” have been cancelled. The parties agreed that the whole amount paid should be returned to the Company within twelve months of the signing of the cancellation agreements, either in cash and/or an equivalent market value’s worth of agricultural goods.

Due to political and economic developments and military conflict in Eastern Ukraine, Stiomi Agri Limited is currently unable to repay this amount to the Group. It is highly probable that this amount will never be recovered, therefore an impairment loss for USD 33 080 thousand was recognised in 2014.

Additionally, the trade and other receivables were impaired due to the military conflict in Eastern Ukraine. As a result, the Group has recognised an impairment loss for trade and other receivable USD 13 thousand in 2016.

The exposure of the Group to credit risk and impairment losses in relation to trade and other receivables is reported in note 36 to the consolidated financial statements.

(in USD thousand, unless otherwise stated)

25. MOVEMENT IN PROVISION FOR DOUBTFUL DEBTS

The movement in the provision for doubtful debts in respect of trade and other receivables was as follows:

	Note	2018	2017
At 1 January		**33 468**	**33 559**
Provision for the year	11	42	122
Reversal of provision for bad debts		-	(32)
Write-off of provision for bad debt from receivables		(261)	(169)
Effect of translation into presentation currency		(19)	(12)
At 31 December	24	**33 230**	**33 468**

26. CASH AND CASH EQUIVALENTS

	2018	2017
Cash at bank - USD	24 544	17 086
Cash at bank - UAH	324	384
Cash at bank - Euro	2	10
Cash in hand	11	1
Total	**24 881**	**17 481**

The exposure of the Group to credit risk and interest rate risk in relation to cash and cash equivalents is reported in note 36 to the consolidated financial statements.

27. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD FOR SALE

Discontinued operations

The assets and liabilities of subsidiary company Agro-Svinprom LLC, operating in pig-breeding, has been presented as held for sale following the Management decision in July 2011 to dispose the company.

In this respect the Management of the Group has advertised their intention for the sale of the subsidiary to the public media, for attraction of prospective new investors.

(in USD thousand, unless otherwise stated)

27. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD FOR SALE (cont.)

Held for sale
At 31 December 2018 the disposal group comprised the following assets and liabilities:

	Agro-Svinprom LLC
Assets classified as held for sale	
Property, plant and equipment	17
Total	**17**
Liabilities classified as held for sale	
Trade and other payables	(9)
Total	**(9)**
Net assets	**8**

At 31 December 2017 the disposal group comprised the following assets and liabilities:

	Agro-Svinprom LLC
Assets classified as held for sale	
Property, plant and equipment	17
Total	**17**
Liabilities classified as held for sale	
Trade and other payables	(9)
Total	**(9)**
Net assets	**8**

(in USD thousand, unless otherwise stated)

28. SHARE CAPITAL AND SHARE PREMIUM

	2018 Number of shares	2018 Nominal value, USD	2017 Number of shares	2017 Nominal value, USD
Authorised share capital				
Ordinary shares of EUR 0,021 each	47 619 048	1 321 500	47 619 048	1 321 500

Issued and fully paid	Number of shares	Nominal value, USD	Share premium, USD	Total, USD
At 1 January 2017	21 670 000	661 128	88 531 664	89 192 792
At 31 December 2017	21 670 000	661 128	88 531 664	89 192 792
At 31 December 2018	21 670 000	661 128	88 531 664	89 192 792

Issued share capital

i Upon incorporation on 21 September 2009, the Company issued to the subscribers of its Memorandum of Association 12 000 000 ordinary shares of nominal value EUR0,021 each, amounting to EUR 252 000 (USD equivalent of USD 370 591).

ii On 4 November 2009 the Company issued 4 000 000 additional ordinary shares of nominal value EUR 0,021 each, amounting to EUR 84 000 (USD equivalent of USD 123 715), at a premium of EUR 6,93 per share, amounting to a total share premium of EUR 27 720 000 (USD equivalent of USD 38 791 285).

Global Depositary Receipts "GDRs" were issued against the 4 000 000 new shares by "The Bank of New York Mellon" for USD 9,72875 per each new share. The total consideration of the share capital issued was USD 38 915 000 out of which USD 123 715 is the total nominal value credited to the share capital account and USD 38 791 285 is the share premium reserve. Share issue expenses of USD 317 154 were deducted from the share premium reserve. GDRs are traded on the Open Market of the Frankfurt Stock Exchange since 12 November 2009.

iii The members of the Company held an Extraordinary General Meeting on 25 June 2010 where they authorized and approved the increase of the issued share capital of the Company from 16 000 000 ordinary shares of EUR 0,021 each amounting to EUR 336 000 (USD equivalent of USD 494 306) to 21 670 000 ordinary shares of nominal value of EUR 0,021, by the creation of 5 670 000 ordinary shares of a nominal value of EUR 0,021 each, ranking pari pasu with the existing shares of the Company.

(in USD thousand, unless otherwise stated)

28. SHARE CAPITAL AND SHARE PREMIUM (cont.)

Issued share capital (cont.)

On 29 October 2010 the Company proceeded and issued 5 670 000 ordinary shares of nominal value EUR 0,021 each, amounting to EUR 119.070 (equivalent to USD 166 822), at a premium of EUR 6,7595 per share amounting to a total share premium of EUR 38 326 365 (USD equivalent of USD 54 222 634). The issue price for shares in the Company's public offering was set at PLN 27 per share. The Company raised total gross proceeds of PLN 153 090 000 (USD equivalent of USD 54 389 456) from the public offering. Share issue expenses of USD 4 165 101 were deducted from the share premium reserve.

Listing of the Company to the Warsaw Stock Exchange

During the year 2010, the Board of Directors of the Company resolved to proceed with the initial public offering of 5 670 000 new ordinary shares of the Company and the application for the admission of the entire issued share capital of the company, including the Offer Shares to trading on the regulated market of the Warsaw Stock Exchange.

29. LOANS AND BORROWINGS

	Note	**2018**	**2017**
Non-current liabilities			
Notes		-	9 807
		-	**9 807**
Current liabilities			
Loan from owner	32	106	89
Notes		7 759	-
		7 865	**89**
Total loans and borrowings		**7 865**	**9 896**

Notes

On 14 July 2011, the Company's issued USD 50 000 000 12,50% Notes due on 14 July 2014, have been admitted to the official list of the UK Listing authority and to the London Stock Exchange Plc and trading on the London Stock Exchange's regulated market.

The Notes bear interest at a rate of 12,50% per annum payable semi-annually in arrears on 14 January and 14 July in each year, commencing on 14 January 2012.

The Notes are recognised initially at fair value USD 50 000 000 net of issue costs equal to USD 2 777 014. The difference between the proceeds (net of issue costs) and the redemption value as at 14 July 2014 is recognised in the consolidated statement of profit or loss over the period of the issue.

(in USD thousand, unless otherwise stated)

29. LOANS AND BORROWINGS (cont.)

Notes (cont.)

On 8 August 2013 with the consent of the Noteholders the Company has amended the terms and conditions of the Notes as follow:

- Extend the maturity of the Notes by 60 months to 14 July 2019 in order to lengthen the average maturity of the Groups funding sources;
- Postpone the interest payment that was due for payment to Noteholders on 14 July 2013 to 14 January 2014;
- Decrease the interest rate with effect from 14 January 2013 from 12,5% to 8% per annum;
- Amend the definition of Leverage Ratio Exception so that the maximum Consolidated Leverage Ratio would be 4,0 rather than 3,0; and
- Amend the definition of Permitted Indebtedness so that Additional Indebtedness is not to exceed USD 20 million (rather than USD 5 million) at any time outstanding.

On 18 December 2013 the Company has secured a second consent of the Noteholders to amend the terms and conditions of the Notes as follow:

- Postpone to 14 January 2015 the interest payments that was due for payment to Noteholders on 14 January 2014 (including the postponed 14 July 2013 Interest Payment) and the one that would be due for payment to Noteholders on 14 July 2014;
- Further decrease the interest rate with effect from 14 January 2013 from 8% to 6%;
- Permit the Issuer, the Sureties and any of their respective subsidiaries to re-purchase Notes, which they may at their option hold, re-sell or surrender for cancellation;
- Remove the augmented quorum requirement for any Noteholders' meeting the business of which includes any Reserved Matter(s), so that the quorum requirement for any Noteholders' meeting for passing an Extraordinary Resolution (whether or not the business of such meeting includes any Reserved Matter(s) shall henceforth be two or more persons present in person holding Notes or being proxies or representatives and holding or representing in the aggregate more than half of the principal amount of the Notes for the time being outstanding;
- Reduce the proportion of votes required to pass an Extraordinary Resolution from not less than three-quarters in principal amount of the Notes owned by the Noteholders who are present in person or represented by proxy or representative at the relevant Noteholders' meeting to more than half of the principal amount of such Notes;
- Reduce the principal amount of Notes required to be held by Noteholders in order to pass an Extraordinary Resolution by way of electronic consent or written resolution from not less than three-quarters in principal amount of the Notes outstanding to more than half of such principal amount; and
- Remove restrictions on the Issuer's ability to declare or pay dividends to shareholders.

On 19 April 2014 the Company has purchased Notes in an aggregate principal amount of USD 22 100 000.

(in USD thousand, unless otherwise stated)

29. LOANS AND BORROWINGS (cont.)

Notes (cont.)

On 15 December 2014 the Company has secured a third consent of the Noteholders to amend the terms and conditions of the Notes as follow:

- Postpone to 14 January 2016 the interest payments that was due for payment to Noteholders on 14 January 2015 (including the postponed 14 July 2013, 14 January 2014 and 14 July 2014 Interest Payments) and the interest payment that will be due for payment to Noteholders on 14 July 2015; and
- Waive any Event of Default or Potential Event of Default arising as a result of the Issuer's failure to deliver and publish its audited annual financial statements and accompanying certificate for the financial year ended 31 December 2014 within the period stipulated therefor in breach of Condition 3.2(n) (Financial Information) of the terms and conditions of the Notes.

On 28 October 2015 the Company has purchased Notes in an aggregate principal amount of USD 10 350 000.

On 12 January 2016 the Company has secured a fourth consent of the Noteholders to amend the terms and conditions of the Notes as follow:

- Postpone to 14 January 2017 the interest payments that was due for payment to Noteholders on 14 January 2016 (including the postponed 14 July 2013, 14 January 2014 and 14 July 2014 Interest Payments) and the interest payment that will be due for payment to Noteholders on 14 July 2016; and
- Waive any Event of Default or Potential Event of Default arising as a result of the Issuer's failure to deliver and publish its audited annual financial statements and accompanying certificate for the financial year ended 31 December 2015 within the period stipulated therefor in breach of Condition 3.2(n) (Financial Information) of the terms and conditions of the Notes.

On 26 October 2016 the Company has purchased Notes in an aggregate principal amount of USD 10 000 thousand.

On 17 January 2017 the Company has secured a fifth consent of the Noteholders to postpone to 14 January 2018 the interest payments that was due for payment to Noteholders on 14 January 2017.

Additionally on 6 April 2018 the Company announced the timely and full repayment of interest on notes deferred coupon amounting to USD 2 265 thousand on 14 January 2019.

On 14 January 2018, the Company paid a coupon interest on it notes in the amount of USD 2 265 thousand, as agreed with Noteholders on 17 January 2017.

(in USD thousand, unless otherwise stated)

29. LOANS AND BORROWINGS (cont.)

Notes (cont.)

The following subsidiaries are acting as surety providers:

- Living LLC
- PE Agricultural Production Firm Agro
- Agroton PJSC
- Agro Meta LLC
- ALLC Noviy Shlyah
- ALLC Shiykivske
- Agro Svynprom LLC
- Agro Chornukhinski Kurchata LLC
- Rosinka-Star LLC

The exposure of the Group to interest rate risk in relation to loans and borrowings is reported in Note 36 to the consolidated financial statements.

30. TRADE AND OTHER PAYABLES

	2018	**2017**
Trade payables	993	466
Payroll and related expenses accrued	1 255	765
Advances received	51	3
Liabilities for other taxes and mandatory payments	100	99
VAT payable	282	76
Payable for operating lease of land	22	157
Accrued expenses	17	53
Other provisions	12	12
Other liabilities	65	35
Total	**2 797**	**1 666**

The exposure of the Group to liquidity risk in relation to trade and other payables is reported in Note 36 to the consolidated financial statements.

(in USD thousand, unless otherwise stated)

31. PROFIT PER SHARE

Basic profit per share

The calculation of basic profit per share was based on the profit attributable to the owners of the Company, and a weighted average number of ordinary shares as follows:

	2018	**2017**
Profit attributable to the owners of the Company (in USD'000):		
Profit from continuing operations attributable to the owners of the Company	13 518	8 299
Loss from discontinued operations attributable to the owners of the Company	-	-
Total profit attributable to the owners of the Company	13 518	8 299
Weighted average number of ordinary shares:		
Weighted average number of ordinary shares at 31 December	21 670 000	21 670 000
Total basic profit per share (USD per share)	**0,62**	**0,38**

Profit per share is the profit for the year after taxation attributable to the owners of the Company divided by weighted average number of shares in issue for each year.

There were no options or instruments convertible into shares and so basic and diluted earnings per share are the same.

32. RELATED PARTY BALANCES AND TRANSACTIONS

As at 31 December 2018 and the date of this report, the Company is controlled by Mr. Iurii Zhuravlov, who holds directly 77,77% of the Company's share capital. The remaining 22,23% of the shares is widely held.

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

According to these criteria the related parties of the Group are divided into the following categories:

a. Companies in which Group's companies have an equity interest;
b. Companies in which key management personnel has an equity interest;
c. Key management personnel;
d. Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies.

(in USD thousand, unless otherwise stated)

32. RELATED PARTY BALANCES AND TRANSACTIONS (cont.)

Salary costs of key management personnel for the years ended 31 December 2018 and 31 December 2017 were as follows:

	2018	**2017**
Wages and salaries	2 322	771
Contributions to social funds	16	10
Total	**2 338**	**781**

Key management personnel include Directors (Executive and Non-Executive), the Chief Financial Officer, the Chief Agronomist, the Head of the Food Production Division and the Head of the Livestock Division.

	2018	**2017**
Number of key management personnel, persons	11	12

Outstanding balances with related parties:

Loans receivable	**2018**	**2017**
d. Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies		
Mr Iurii Zhuravlov - Chief Executive Officer	16 274	14 884
Total	**16 274**	**14 884**

Loans payable (note 29)		
d. Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies		
Mr Iurii Zhuravlov - Chief Executive Officer	106	89
Total	**106**	**89**

The Group's transactions with related parties:

Finance cost, net	**2018**	**2017**
d. Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies		
Mr Iurii Zhuravlov - Chief Executive Officer	1 952	1 694
Total	**1 952**	**1 694**

Expenses		
c. Key management personnel	2 338	781
Total	**2 338**	**781**

(in USD thousand, unless otherwise stated)

33. OPERATING SEGMENTS

A reportable segment is a separable component of a business entity that produces goods or provides services to individuals (or groups of related products or services) in a particular economic environment that is subject to risks and generates revenues other than risks and income of those components that are peculiar to other reportable segments.

Reportable segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. All reportable segments' results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

The operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

For the year ended 31 December 2018 the Group identified the following reportable segments, which include products and services, that differ by levels of risk and conditions of generation of income:

- Plant breeding
- Livestock
- Vegetable oil and protein meal
- Other

(i) Plant breeding segment raises and sells agricultural products and renders accompanying services. The main types of agricultural produce which are sold in this reportable segment are wheat, rye, barley, sunflowers and rape. The main services which are sold in this reportable segment are ploughing, handling and grain storage services.

(ii) Livestock segment raises and sells biological assets and agricultural products of cattle breeding. The main biological assets and agricultural products which are sold in this reportable segment are poultry, cattle, pigs and milk.

(iii) Vegetable oil and protein meal is a new segment the Group started disclosing in 2017. It represents the processing of own sunflower seeds into sunflower oil and protein meal using outsourced production facilities.

No operating segments have been aggregated to form the above reportable operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Management monitors the operating results of each of the unit separately for the purpose of making decisions about resources allocation and evaluation of operating results.

Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. Group financing (including finance expense and finance income) and income taxes, are managed on a group basis and are not allocated to operating segments.

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

(in USD thousand, unless otherwise stated)

33. OPERATING SEGMENTS (cont.)

Information by reportable segment is presented as follows:

2018	**Livestock**	**Plant breeding**	**Vegetable oil and protein meal**	**Other**	**Group level**	**Total**
Total revenue	3 925	37 040	18 652	1 086	-	**60 703**
Inter-segment sales	(88)	(3 114)	-	(312)	-	**(3 514)**
External revenues	3 837	33 926	18 652	774	-	**57 189**
Net change in fair value less cost to sell of biological assets and agricultural produce	(893)	23 242	-	-	-	**22 349**
Expenses (excluding depreciation and amortisation	(3 955)	(43 807)	(15 536)	64	-	**(63 234)**
Impairment losses	-	-	-	-	-	-
(Loss)/profit for the year (excluding depreciation and amortisation)	**(1 011)**	**13 361**	**3 116**	**838**	**-**	**16 304**
Depreciation and amortisation	(136)	(1 886)	(375)	(188)	-	**(2 585)**
(Loss)/profit before taxation from continuing operations	(1 147)	11 475	2 741	650	-	**13 719**
Reportable segment assets	**7 729**	**69 536**	**11**	**5 386**	**16 424**	**99 086**
Reportable segment liabilities	**275**	**2 436**	**-**	**264**	**8 033**	**11 008**

(in USD thousand, unless otherwise stated)

33. OPERATING SEGMENTS (cont.)

2017	**Livestock**	**Plant breeding**	**Vegetable oil and protein meal**	**Other**	**Group level**	**Total**
Total revenue	4 161	30 246	17 093	759	-	**52 259**
Inter-segment sales	(210)	(177)	-	(87)	-	**(474)**
External revenues	3 951	30 069	17 093	672	-	**51 785**
Net change in fair value less cost to sell of biological assets and agricultural produce	(1 445)	25 359	-	-	-	**23 914**
Expenses (excluding depreciation and amortisation)	(4 507)	(43 553)	(15 875)	(1 121)	-	**(65 056)**
Impairment losses	-	-	-	(29)	-	**(29)**
(Loss)/profit for the year (excluding depreciation and amortisation)	**(2 001)**	**11 875**	**1 218**	**(478)**	**-**	**10 614**
Depreciation and amortisation	(103)	(2 019)	-	(129)	-	**(2 251)**
(Loss)/profit before taxation from continuing operations	(2 104)	9 856	1 218	(607)	-	8 363
Reportable segment assets	**7 007**	**60 433**	**360**	**3 738**	**19 953**	**91 491**
Reportable segment liabilities	**191**	**1 452**	**-**	**73**	**10 007**	**11 723**

(in USD thousand, unless otherwise stated)

33. OPERATING SEGMENTS (cont.)

Geographical information

Reportable segment information related to geographical location for the year ended 31 December 2018 and 31 December 2017 is presented below. Sales revenue analysis was based on the geographical local of delivery destination.

	2018	2017
Ukraine	37 874	33 929
India	9 504	5 393
Netherlands	3 208	-
Italy	2 070	1 110
Iraq	1 792	-
Spain	189	3 197
China	51	3 490
Iran	-	1 713
Other countries	2 501	2 953
	57 189	**51 785**

34. OPERATING ENVIROMENT

Cyprus economic environment

The Cyprus economy has been adversely affected during the last few years by the economic crisis. The negative effects have to some extent been resolved, following the negotiations and the relevant agreements reached with the European Commission, the European Central Bank and the International Monetary Fund (IMF) for financial assistance which was dependent on the formulation and the successful implementation of an Economic Adjustment Program. The agreements also resulted in the restructuring of the two largest (systemic) banks in Cyprus through a “bail in”.

The Cyprus Government has successfully completed earlier than anticipated the Economic Adjustments Program and exited the IMF program on 7 March 2016, after having recovered in the international markets and having only used €7,25 billion of the total €10 billion earmarked in the financial bailout. Under the new Euro area rules, Cyprus will continue to be under surveillance by its lenders with bi-annual post-program visits until it repays 75% of the economic assistance received.

Although there are signs of improvement, especially in the macroeconomic environment of the country’s economy including growth in GDP and reducing unemployment rates, significant challenges remain that could affect the estimates of the Company's cash flows and its assessment of impairment of financial and non-financial assets.

(in USD thousand, unless otherwise stated)

34. OPERATING ENVIROMENT (cont.)

Ukrainian economic and political environment

The Group conducts its operations mainly in Ukraine. Ukraine's political and economic situation has deteriorated significantly since 2014. Following political and social unrest in early 2014, in March 2014, various events in Crimea led to the accession of the Republic of Crimea to the Russian Federation, which was not recognised by Ukraine and many other countries. This event resulted in a significant deterioration of the relationship between Ukraine and the Russian Federation. Following the instability in Crimea, regional tensions have spread to the Eastern regions of Ukraine, primarily Donetsk and Lugansk regions. In May 2014, protests in those regions escalated into military clashes and armed conflict between supporters of the self-declared republics of the Donetsk and Lugansk regions and the Ukrainian forces, which continued throughout the date of these financial statements. As a result of this conflict, part of the Donetsk and Lugansk regions remains under control of the self-proclaimed republics, and Ukrainian authorities are not currently able to fully enforce Ukrainian laws on this territory.

During 2015 and 2016 the anti-crisis measures undertaken by the Ukrainian government and NBU as well as financing through the extended fund facilities (EFF) agreed with International Monetary Fund (IMF) enabled the country to achieve a certain level of economic and political stability and provided the basis for economic recovery on the territory controlled by Ukraine. In 2016 and 2017 Ukraine's GDP grew by 2.3% and 2.1% respectively. This allowed NBU to ease some foreign exchange restrictions imposed since 2014, including a decrease in the share of the mandatory foreign currency conversion to 65% and permission of dividends remittance. However, certain other restrictions were prolonged.

In September 2017, Ukraine successfully issued USD 3 billion of Eurobonds, of which USD 1.3 billion is new financing, with the remaining amount aimed to refinance bonds due in 2019.

During 2018 the Ukrainian economy proceeded with recovery from the economic and political crisis of previous years and demonstrated a sound GDP growth of 3.4% (2017: 2.5%), decline in annual inflation of 9.8% (2017: 13.7%), and relatively stable foreign exchange rate of Ukrainian national currency. Further economic growth depends, to a large extent, upon success of the Ukrainian government in the implementation of planned reforms, cooperation with the International Monetary Fund, and a smooth transition through presidential and parliamentary elections due in March and October 2019, respectively.

The ongoing unstable situation in the Eastern Ukraine and the annexation of Crimea continue to have a negative effect on the ability to obtain financing on domestic and international markets. Further economic recovery and political stabilization depend, to a large extent, upon success of the Ukrainian government's reforms.

Whilst management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, a continuation of the current unstable business environment could negatively affect the Group's results and financial position in a manner not currently determinable. These consolidated financial statements reflect management's current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

(in USD thousand, unless otherwise stated)

34. OPERATING ENVIROMENT (cont.)

Going concern basis following the economic and political environment
The dangers which may arise from unexpected external factors such as competition, and the further deterioration of the market conditions cannot be ignored. All these factors were analysed above. Having regard to the fact that with the consent of the Noteholders, the Company has amended the terms and conditions of the Notes with an extension of maturity date and postponement of interest payments, the Board of Directors believes that the Group will remain a going concern and that no indications of any kind of threat of liquidation exists in the foreseeable future.

The consolidated financial statements do not include any adjustments that would be necessary in case the Group was not able to continue operating as a going concern which could include:

1. The ability of the Group to repay its Noteholders
2. The ability of the Group's trade and other debtors to repay the amounts due to the Group
3. The cash flow forecasts of the Group and the assessment of impairment of other financial and non-financial assets
4. The ability to realize the current assets held for sale
5. The ability of the Group to repay its loans
6. The ability of the Group to meet its obligations towards its customers

35. CONTINGENT AND CONTRACTUAL LIABILITIES

Economic environment
The exposure of the Group to the economic environment and possible impact is disclosed in note 34 to the consolidated financial statements.

Taxation
As a result of unstable economic environment in Ukraine, tax authorities in Ukraine pay more and more attention to the business cycles. In connection with this, tax laws in Ukraine are subject to frequent changes. Furthermore, there are cases of their inconsistent application, interpretation and execution. Non-compliance with laws and regulations may lead to severe fines and penalties.

The Company operates in the Cypriot tax jurisdiction and its subsidiaries in tax jurisdiction of the respective countries of incorporation. The Group's management must interpret and apply existing legislation to transactions with third parties and its own activities. Significant judgment is required in determining the provision for direct and indirect taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group 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.

(in USD thousand, unless otherwise stated)

35. CONTINGENT AND CONTRACTUAL LIABILITIES (cont.)

Taxation (cont.)

The Group's uncertain tax positions are reassessed by management at every reporting period end. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the reporting period and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the reporting period.

Legal matters
In the course of its economic activities, the Group is involved in legal proceedings with third parties. In most cases, the Group is the initiator of such proceedings with the purpose of preventing or mitigating of economic losses.

The Group's management considers that as at the reporting period, active legal proceedings on such matters will not have any significant influence on its financial position.

Pension and other liabilities
Most employees of the Group receive pension benefits from the Pension Fund, a Ukrainian Government organisation in accordance with the applicable laws and regulations of Ukraine. The Group is obliged to deduct and contribute a certain percentage of salaries to the Pension Fund to finance the benefits. The only obligation of the Group with respect to this pension plan is to make the specified contributions from salaries.

At 31 December 2018 and 31 December 2017 the Group's entities had no liabilities for any supplementary pensions, health care, insurance benefits or retirement indemnities to its current or former employees.

Leases
The Group had the following contractual obligations under land operating lease agreements as at 31 December 2018 and 31 December 2017:

	2018	2017
Less than 1 year	4 333	6 176
Between 1 to 5 years	14 490	18 440
More than 5 years	8 065	11 006
Total	**26 888**	**35 622**

Plough-land is leased by the Group from individuals. The total size of leased plough-land at 31 December 2018 is 119 thousand hectares (2017: 120 thousand hectares). The average rental payment for leased plough-land in the year ended 31 December 2018 ranges between 6% - 9% (year ended 31 December 2017: 6% - 9%) from the normative value of land.

(in USD thousand, unless otherwise stated)

36. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks arising from the use of financial instruments:
(a) Credit risk
(b) Liquidity risk
(c) Market risk
(d) Operational risk

Risk Management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group is not a finance company, thus it uses financial instruments as may be necessary in order to obtain finance for its activities, not for the purpose of receiving income. In the process of its activities the Group uses the following financial instruments: cash and cash equivalents, bank deposits, accounts receivable, accounts payable.

The Group is exposed to the following risks resulting from use of financial instruments: credit risk, liquidity risk and market risk (including foreign currency risk and interest rate risk of fair value) and operation risk. This explanation contains information relating to the Group’s exposure to each of the risk types mentioned above, Group’s objectives, its policy and procedures of these risks measurement and management.

Additional disclosures of quantitative information are presented in multiple other sections of these financial statements, including:

- information on finance income and expenses is disclosed in Note 14 (all finance income and expenses are recognised as a part of profit or loss for the year);
- information on cash is disclosed in Note 26;
- information on trade and other receivables is disclosed in Note 24;
- information on loans receivable is disclosed in Note 21;
- information on trade and other payables is disclosed in Note 30;
- information on significant terms of borrowings and loans granted is disclosed in Note 29.

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(in USD thousand, unless otherwise stated)

36. FINANCIAL RISK MANAGEMENT (cont.)

a) Credit risk

Credit risk is the risk of financial loss for the Group in case of non-fulfilment of financial obligations by a client or counterparty under the respective agreement. In the reporting period the Group's financial assets that are exposed to credit risk are represented as follows: cash and balances on bank accounts, trade and other accounts receivable (except for receivables that are not represented by financial assets), loans receivable.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group recognises impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting period was presented as follows:

	Note	2018	2017
Financial assets			
Loan to related parties	21	16 274	14 884
Loans to third parties	21	-	4 836
Cash at bank	26	24 870	17 480
Trade receivables	24	1 365	2 737
Other receivables	24	538	61
Total		**43 047**	**39 998**

Credit quality of financial assets

The table below shows an analysis of the Group's cash balances on bank accounts by the credit rating of the bank in which they are held:

Bank group based on credit ratings by Moody's	Note	2018	2017
Aa2		22 616	-
Aa3		1 861	1 734
B3		9	-
Caa1		-	37
Caa2		384	1 427
Caa3		-	68
Unrated		-	14 214
Total	26	**24 870**	**17 480**

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36. FINANCIAL RISK MANAGEMENT (cont.)

a) Credit risk (cont.)

Credit quality of financial assets (cont.)

The ageing of trade receivables at the end of the reporting period that was not impaired was as follows:

2018	0-90 days	91-180 days	181-365 days	over one year	Total
Carrying amount of trade receivables	616	694	55	-	1 365

2017	0-90 days	91-180 days	181-365 days	over one year	Total
Carrying amount of trade receivables	975	1 613	123	26	2 737

The column '0-90 days' represents the amounts neither past due nor impaired.

The ageing of trade receivables at the end of the reporting period that was impaired was as follows:

2018	0-90 days	91-180 days	181-365 days	over one year	Total
Carrying amount of trade receivables	-	-	-	4	4

2017	0-90 days	91-180 days	181-365 days	over one year	Total
Carrying amount of trade receivables	-	-	-	258	258

As at 31 December 2018, an amount of USD 644 thousand and USD 397 thousand or 47% and 29% of the total carrying value of trade receivables respectively is due from the two most significant debtors. For the year ended 31 December 2018, an amount of USD 18 507 thousand (38%) and USD 8 272 thousand (14%) from Group's revenue refers to the sales transactions carried out with two of the Group's clients.

As at 31 December 2017, an amount of USD 1 638 thousand and USD 352 thousand or 60% and 13% of the total carrying value of trade receivables is due from the two most significant debtors. For the year ended 31 December 2017, an amount of USD 13 057 thousand (25%) and USD 7 816 thousand (15%) from the Group’s revenue refers to the sales transactions carried out with two of the Group’s clients.

Expected credit loss assessment for corporate customers as at 1 January and 31 December 2018

The ECL for trade receivables is 0% due to the probability of default being 0% because of the prompt prepayment of all trade receivables. For any trade receivables over 1 year an ECL of 100% applies.

(in USD thousand, unless otherwise stated)

36. FINANCIAL RISK MANAGEMENT (cont.)

b) Liquidity risk

Liquidity risk is the risk of the Group's failure to fulfil its financial obligations at the date of maturity. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The table below represents the expected maturity of components of working capital.

Exposure to liquidity risk

2018	Note	Carrying amounts	Contractual cash flows	3 month or less	3-12 month	Between 1-5 years	Over 5 years
Loan from owner	32	106	110	110	-	-	-
Notes	29	7 760	7 760	7 760	-	-	-
Trade payables	30	993	993	993	-	-	-
Other payables	30	87	87	87	-	-	-
Total		**8 946**	**8 950**	**8 950**	**-**	**-**	**-**

2017	Note	Carrying amounts	Contractual cash flows	3 month or less	3-12 month	Between 1-5 years	Over 5 years
Loan from owner	32	89	103	-	-	103	-
Notes	29	9 807	10 260	2 265	453	7 542	-
Trade payables	30	466	466	466	-	-	-
Other payables	30	192	192	192	-	-	-
Total		**10 554**	**11 021**	**2 923**	**453**	**7 645**	**-**

c) Market risk

Market risk is the risk of negative influence of changes in market prices, such as foreign exchange rates and interest rates, on revenue position of the Group or on the value of the Group's available financial instruments.

The objective of market risk management provides control over the Group's exposure to market risk, as well as keeping its level within reasonable limits.

(in USD thousand, unless otherwise stated)

36. FINANCIAL RISK MANAGEMENT (cont.)

c) Market risk (cont.)

Description of the Group's exposure to such market components as currency risk and interest risk is given below:

Foreign currency risk

Foreign currency risk which represents a part of market risk is the risk of change in value of financial instruments due to changes in foreign exchange rates.

Management does not use derivative financial instruments to hedge foreign currency risks and does not follow the official policy for distribution of risks between liabilities in one or another currency. However, in the period of receiving new borrowings and loans, management uses its own estimates to take the decision as to which currency of the liability will be more favourable for the Group during the expected period till maturity.

Exposure to foreign currency risk

The Group's exposure to foreign currency risk as at 31 December 2018 based on carrying amounts was as follows:

(in conversion to USD thousand)	**United States Dollars**
Cash and cash equivalents	61
Trade and other receivables	7
Total carrying amount	**68**

The Group's exposure to foreign currency risk at 31 December 2017 based on carrying amounts was as follows:

(in conversion to USD thousand)	**United States Dollars**
Cash and cash equivalents	1 112
Total carrying amount	**1 112**

(in USD thousand, unless otherwise stated)

36. FINANCIAL RISK MANAGEMENT (cont.)

c) Market risk (cont.)

An increase of 100 basis points in foreign currency rates at 31 December would have decreased profit and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a decrease of 100 basis points there would be an equal and opposite impact on the profit and equity.

	2018		2017	
	Effect on profit before tax	**Effect on equity**	**Effect on profit before tax**	**Effect on equity**
United States Dollars	7	7	111	111
	7	**7**	**111**	**111**

Interest rate risk

Interest rate risk is the risk that expenditure or the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly

At present, the Group's approach to limit the interest rate risk consists of borrowings at fixed interest rates.

Structure of interest rate risk

The structure of interest financial instruments of the Group, grouped according to the types of interest rates, was presented as follows:

	2018	**2017**
Fixed rate instruments		
Financial assets	16 274	19 720
Financial liabilities	(7 866)	(9 896)
Total	**8 408**	**9 824**

d) Operational risk

Crops under cultivation

The Group's operations are subject to seasonal fluctuations as a result of weather conditions. In particular, the cultivation of crops is adversely affected by winter weather conditions, which occur primarily from January to March. The first half of the year typically results in lower revenues and results for cultivations.

(in USD thousand, unless otherwise stated)

36. FINANCIAL RISK MANAGEMENT (cont.)

d) Operational risk (cont.)

Livestock

The Group's agro-industrial business is subject to risks of outbreaks of various diseases that could result in mortality losses. Disease control measures were adopted by the Group to minimise and manage this risk. The Group's management is satisfied that its current existing risk management and quality control processes are effective and sufficient to prevent any outbreak of livestock diseases and related losses.

e) Capital management

The Group's management follows the policy of providing a firm capital base which allows supporting the trust of investors, creditors and market and ensuring future business development.

The Group manages its capital to ensure that it will be able to continue as a going concern while increasing the return to owners through the strive to improve the debt to equity ratio. The Group's overall strategy remains unchanged from prior year. To manage capital, the Group's management, above all, uses calculations of EBITDA.

For the year ended 31 December 2018 and 31 December 2017 EBITDA amounted to:

	2018	**2017**
Profit for the year	13 534	8 322
Income tax charge	185	41
Impairment losses	-	29
Finance income	(3 717)	(2 488)
Finance costs	462	2 620
EBIT (Earnings before interest and income tax)	**10 464**	**8 524**
Depreciation and amortisation	2 585	2 251
EBITDA (earnings before interest, income tax, depreciation and amortisation)	**13 049**	**10 775**

During the year there were no changes in approaches to capital management. The Group is not subject to any external regulatory capital requirements.

(in USD thousand, unless otherwise stated)

37. FAIR VALUES

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The different levels have been defined as follows:

- *Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities.

- *Level 2:* inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- *Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs)

a) Fair value of financial assets

Assumptions in assessing fair value of financial instruments and assessment of their subsequent recognition

As no readily available market exists for the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instruments. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holding of the particular instrument.

At 31 December 2018, the following methods and assumptions were used by the Group to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

- *Cash and cash equivalents* - the fair value is estimated to be the same as the carrying value for these short-term financial instruments.
- *Trade and other receivables* - the fair value is reasonably estimated to be the same as the carrying value, as provision for doubtful debts is reasonable estimation of discount needed for reflection of credit risk influence.
- *Trade and other payables* - the fair value is estimated to be the same as the carrying value for trade and other payables.

Application of the effective interest rate method for calculating carrying value of short - term receivables, interest free loans granted and received and payables has been applied to reflect fair values.

- *Loans* - the fair value of loans, is estimated to approximate the total carrying value as the nominal interest rate of loans is approximately tied to the market rate concerning loans with similar credit risk rate and repayment period at the reporting period.
- *Equity securities* – the fair value of equity securities is measured using the available quoted market prices from the relevant stock exchange which the securities are listed.

(in USD thousand, unless otherwise stated)

37. FAIR VALUES (cont.)

b) Fair value of non-financial assets

Assumptions in assessing fair value of non-financial instruments and assessment of their subsequent recognition

Biological assets of the Group are measured at fair value within level 3 of the fair value hierarchy, except for parent flock, cattle and horses that are measured using the market comparison technique based on market prices for livestock of similar age, breed and geographic location, which is measured at fair value within level 2 of the fair value hierarchy.

The Group has an established control framework with respect to the measurement of fair values. This framework includes a valuation team that reports directly to the Chief Financial Officer, and has overall responsibility for fair value measurement of biological assets.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. The valuation team assesses and documents the evidence obtained to support the conclusion that the valuation meets the requirements of IFRS, including the level in the fair value hierarchy. Significant valuation issues are reported to the Chief Financial Officer.

The Group's agro-industrial business is subject to risks of outbreaks of various diseases that could result in mortality losses. Disease control measures were adopted by the Group to minimise and manage this risk. The Group's management is satisfied that its current existing risk management and quality control processes are effective and sufficient to prevent any outbreak of livestock diseases and related losses.

The valuation requires management to make certain assumptions about unobservable inputs to the model of which the significant unobservable inputs are disclosed in the table below:

Level 3 fair values

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Crops under cultivation	As at 31 December 2018 the biological transformation is insignificant, the fair value approximate cost	not applicable	not applicable

(in USD thousand, unless otherwise stated)

37. FAIR VALUES (cont.)

The table below analyses biological assets measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized. The different levels have been defined as follows:

	Level 1	Level 2	Level 3	Total
31 December 2018				
Non-financial assets				
Plants and plantation	-	-	7 329	7 329
Livestock	-	2 900	-	2 900
	-	**2 900**	**7 329**	**10 229**

	Level 1	Level 2	Level 3	Total
31 December 2017				
Non-financial assets				
Plants and plantation	-	-	5 565	5 565
Livestock	-	2 525	-	2 525
	-	**2 525**	**5 565**	**8 090**

There were no transfers between any levels of the fair value hierarchy during the year 31 December 2018 and 31 December 2017.

Total gain or losses for the period as shown in the reconciliation (note 19) are presented on the face of the consolidated statement of comprehensive income as “Net change in fair value less costs to sell of biological assets and agricultural produce”.

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37. FAIR VALUES (cont.)

The following table analyses the fair values of financial instruments not measured at fair value, by the levels in the fair value hierarchy into which such fair value measurement is categorized:

	Carrying amount					Fair value			
	Designated at fair value	**Loans and receivables**	**Available -for-sale**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2018									
Financial Assets measured at fair value									
Assets held for sale	-	-	17	-	**17**	-	-	17	**17**
Investments designated at fair value through profit or loss	141	-	-	-	**141**	141	-	-	**141**
Financial assets not measured at fair value									
Trade receivables	-	1 365	-	-	**1 365**	-	-	1 365	**1 365**
Loans receivable	-	16 274	-	-	**16 274**	-	-	16 274	**16 274**
Cash and cash equivalents	-	24 881	-	-	**24 881**	-	-	24 881	**24 881**
	141	**42 520**	**17**	**-**	**42 678**	**141**	-	**42 537**	**42 678**
Financial Liabilities measured at fair value									
Liabilities held for sale	-	-	9	-	9	-	-	9	**9**
Financial Liabilities not measured at fair value									
Notes	-	-	-	7 759	**7 759**	7 759	-	-	**7 759**
Loans payable	-	-	-	106	**106**	-	-	106	**106**
Trade payables	-	-	-	993	**993**	-	-	993	**993**
Other payables	-	-	-	87	**87**	-	-	87	**87**
	-	-	**9**	**8 945**	**8 954**	**7 759**	-	**1 195**	**8 954**

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37. FAIR VALUES (cont.)

	Designated at fair value	**Loans and receivables**	**Available -for-sale**	**Other financial liabilities**	**Total**	**Fair value Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2017									
Financial Assets measured at fair value									
Assets held for sale	-	-	17	-	**17**	-	-	17	**17**
Investments designated at fair value through profit or loss	236	-	-	-	**236**	236	-	-	**236**
Financial assets not measured at fair value									
Trade receivables	-	2 737	-	-	**2 737**	-	-	2 737	**2 737**
Loans receivable	-	19 720	-	-	**19 720**	-	-	19 720	**19 720**
Cash and cash equivalents	-	17 481	-	-	**17 481**	-	-	17 481	**17 481**
	236	**39 938**	**17**	**-**	**40 191**	**236**	-	**39 955**	**40 191**
Financial Liabilities measured at fair value									
Liabilities held for sale	-	-	9	-	**9**	-	-	9	**9**
Financial Liabilities not measured at fair value									
Notes	-	-	-	9 807	**9 807**	9 807	-	-	**9 807**
Loans payable	-	-	-	89	**89**	-	-	89	**89**
Trade payables	-	-	-	466	**466**	-	-	466	**466**
Other payables	-	-	-	192	**192**	-	-	192	**192**
	-	-	9	**10 554**	**10 563**	**9 807**	-	**756**	**10 563**

(in USD thousand, unless otherwise stated)

37. FAIR VALUES (cont.)

The fair value of financial assets and financial liabilities, together with the carrying amounts in the consolidated statement of financial position as at 31 December 2018 and 31 December 2017, are as follows.

31 December 2018	**Carrying amount**	**Fair value**
Financial assets		
Investments designated at fair value through profit or loss	141	141
Trade receivables	1 365	1 365
Cash and cash equivalents	24 881	24 881
Loans receivable	16 274	16 274
Financial liabilities		
Notes	7 759	7 759
Loans payable	106	106
Trade payables	993	993

31 December 2017	**Carrying amount**	**Fair value**
Financial assets		
Investments designated at fair value through profit or loss	236	236
Trade receivables	2 737	2 737
Cash and cash equivalents	17 481	17 481
Loans receivable	19 720	19 720
Financial liabilities		
Notes	9 807	9 807
Loans payable	89	89
Trade payables	466	466

As at 31 December 2018, the fair value of the above financial instruments approximates to their carrying amount, except for notes whose fair value was USD 7 759 thousand (31 December 2017: USD 9 807).

(in USD thousand, unless otherwise stated)

38. EVENTS AFTER THE REPORTING PERIOD

Events referred to in note 34 to the consolidated financial statements will continue to influence the Group's operations in 2019. While management believes it is taking all necessary measures to maintain the sustainability of the business in the current circumstances, a further deterioration of economic and political conditions in Ukraine could adversely affect the Group's results and financial position, so that it is currently impossible to predict.

On 6 April 2018, the Company announced the timely and full repayment of interest on notes deferred coupon amounting to USD 2 265 thousand on 14 January 2019. On 14 January 2019, the Company made a full repayment of the outstanding amount of its notes for USD 7 777 thousand, instead.

On 25 April 2019 the Board of Directors of Agroton Public Limited approved and authorised these consolidated financial statements for issue.