

AGROLIGA GROUP PLC

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 31 December 2018

AGROLIGA GROUP PLC

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

| CONTENTS | PAGE |
|---|-------------|
| Board of Directors and other Officers | 3 |
| Consolidated Management Report | 4-5 |
| Declaration of the Members of the Board of Directors and the Company Officials responsible for the preparation of the Consolidated Financial Statements | 6 |
| Independent auditor's report | 7-10 |
| Consolidated statement of profit or loss and other comprehensive income | 11 |
| Consolidated statement of financial position | 12 |
| Consolidated statement of changes in equity | 13 |
| Consolidated statement of cash flows | 14 |
| Notes to the consolidated financial statements | 15-37 |

AGROLIGA GROUP PLC

BOARD OF DIRECTORS AND OTHER OFFICERS

| | |
|------------------------------|---|
| Board of Directors: | Oleksandr Berdnyk Bizserve Investments Limited Bizserve Management Limited |
| Company Secretary: | Bizserve Secretarial Services Limited |
| Independent Auditors: | Kreston Proios Ltd Certified Public Accountants A member of Kreston International A global network of independent accounting firms Corner of Nikis Avenue & 2 Kastoros Street, 1087 Nicosia |
| Registered office: | 11 Boumpoulinas Street 1 st floor 1060 Nicosia, Cyprus |
| Bankers: | Credit Agricole Bank Polska S.A. Versobank AS |
| Registration number: | HE269325 |

CONSOLIDATED MANAGEMENT REPORT

The Board of Directors presents its report and audited consolidated financial statements of Agroliga Group Plc. and its subsidiaries (the Group) for the year ended 31 December 2018.

Principal activities

The principal activities of the Group are the production of vegetable oils, cereals, meat and dairy breeding herd.

Review of current position, future developments and significant risks

The Group's development to date, financial results and position as presented in the consolidated financial statements considered satisfactory. Additional details that relate to the operating environment of the Group as well as other risks and uncertainties described in notes 3 and 24 of the consolidated financial statements.

The Group handles approximately 10 thousand hectares of land, the capacity of the butter factory for processing sunflower is 35 thousand tons per year.

The Group plans to continue expanding the land bank to 12.3 thousand hectares, as well as to develop dairy farming. In addition, the Group plans to increase the number of cows from 1 thousand - up to 1.4 thousand and establish production of processed products. In particular, to be engaged in the production of dried milk and soft cheeses.

The Group plans to commence the implementation of a «Green project» and build a thermal power plant. The implementation of the green project will allow the Group to produce and sell electricity under a "green tariff".

The group will use one of the most common technologies for the combustion of husk sunflower, which was previously consider waste. For this, the Group plans to purchase and install two steam boiler units, a steam generation capacity of 16 tons / hour each and one condensing steam turbo generator with an electric capacity of 7 MW. This decision will create all the conditions for entering non-waste production.

Results

The Group's results for the year are set out on page 11.

The Group is completing the construction of an oil extraction plant in the Kharkiv region of Ukraine. The new oil-extraction plant will provide for the possibility of changing the processing volumes of raw materials in the range from 100 thousand to 180 thousand tons per year without additional investment in equipment. The production facilities designed in such a way that the Group is able to reconfigure the equipment for extraction of soybean and rapeseed oil without additional investment in this equipment, this fact significantly expands the product line. A modern production line for extraction, which allows to increase oil yield by 10% in comparison with the press technology of oil extraction. At the exit, instead of the cake, the company will receive sunflower meal with a protein content of 38% and residual oiliness, which does not exceed 0.5-1%.

Dividends

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

Research and Development activities

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

Share capital

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

Board of Directors

The members of the Group's Board of Directors as at 31 December 2018 and at the date of this report are presented on page 3. All of them were members of the Board of Directors throughout the year ended 31 December 2018.

In accordance with the Company's Articles of Association all directors presently members of the Board continue in office. There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

AGROLIGA GROUP PLC

Corporate Governance

The full corporate governance report is available at <http://agroliga.com.ua/en/documentation/>

Events after the reporting period

Events after the reporting period disclosed in note 25 of the consolidated financial statements.

Independent Auditors

The Independent Auditors, Kreston Proios Ltd, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,


BIZSERVE SECRETARIAL SERVICES LIMITED
Secretary

Nicosia, 21 March 2019

AGROLIGA GROUP PLC

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

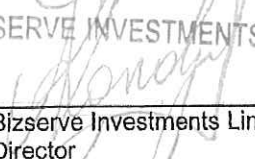
In accordance with Article 9 sections (3c) and 7() of the Transparency Requirements (Traded Securities in Regulated Markets) Law 2007 (N 190 (I)/2007) ("the Law") we, the Management of Agroliga Group Plc for the year ended 31 December 2018, on the basis of our knowledge, declare that:

- a) The annual consolidated financial statements of the Group which are presented:
 - i. Have been prepared in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and the provisions of Article 9, section (4) of the law, and
 - ii. Provide a true and fair view of the particulars of assets and liabilities, the financial position and profit or loss of the Group and the entities included in the consolidated financial statements as a whole and
- b) The consolidated management report provides a fair view of the developments and the performance as well as the financial position of the Group as a whole, together with a description of the main risks and uncertainties which they face

Members of the Board of Directors:



Oleksandr Bardnyk
Director

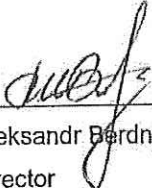


Bizserve Investments Limited
Director



Bizserve Management Limited
Director

Responsible for drafting the consolidated financial statements:



Oleksandr Bardnyk
Director

INDEPENDENT AUDITOR’S REPORT

**To the Members of Agroliga Group Plc.
Report on the Audit of the Consolidated Financial Statements**

Opinion

We have audited the consolidated financial statements of Agroliga Group Plc (the “Company”), and its subsidiaries (the “Group”), which are presented in pages 11 to 37 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, 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 (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for opinion

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

| | |
|--|--|
| Biological Assets | |
| The process of completeness and valuation of Biological Assets in Accordance with IAS 41 is significant and complex (see Note 12 of the Consolidated Financial Statements) | |
| Key Audit Matter | How the matter was addressed in our audit |
| Description of the most significant assessed risks of material misstatement, including assessed risks of material misstatement due to fraud | Our audit approach included assessing the relevant controls associated with how management made the accounting estimates of the Biological Assets and performing substantive procedures on such estimates. We evaluated, based on the audit evidence, whether the accounting estimated in the consolidated financial statements are reasonable in the context of the applicable financial reporting framework. |

| | |
|---|--|
| <p>Summary of the auditor's response to those risks</p> | <p>Our procedures included the following:</p> <ul style="list-style-type: none"> • We have gained understanding over the management review and monitoring controls for interpretation of Group policy and IAS 41 standard. • We have tested the controls and effectiveness of systems in place for the valuation of biological assets. • We have assessed the key assumptions contained within the fair value calculations, including assessment of estimates • We have tested the correct measurement of biological assets at fair value in accordance with IAS 41 • We have tested the controls and review procedures around identification of impairment indicators • We have evaluated the completeness, accuracy and quality of all data used and tested the mathematical accuracy of calculations • We have assessed the appropriateness of presentation in the consolidated financial statements |
| <p>Key observations arising with respect to those risks</p> | <p>No observations, all procedures and methodology meet requirements.</p> |

Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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. We have nothing to report in this regard.

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 International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal Requirements

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

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books.
- The consolidated financial statements are in agreement with the books of account. • In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its 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 statement is not in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and is consistent with the consolidated financial statements.
- In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not been able to test whether there are any material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In our opinion, the corporate governance statement does not include all information referred to in subparagraphs (i), (ii), (iii) and (vi) of paragraph 2(a) of Article 151 of the Cyprus 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 Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is Mr Nicos Drymiotis.



Nicos Drymiotis

Certified Public Accountant and Registered Auditor
for and on behalf of

21 March 2019

Kreston Proios Ltd

Certified Public Accountants

A member of Kreston International

A global network of independent accounting firms

Corner of Nikis Avenue & 2 Kastoros Street, 1087 Nicosia

AGROLIGA GROUP PLC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME


Year ended 31 December 2018 (in thousands of EUR)

| | Note | For the year ended 31.12.2018 | For the year ended 31.12.2017 |
|---|------|-------------------------------------|-------------------------------------|
| Revenue | 5 | 21 646 | 21 691 |
| Cost of sales | 7.1 | (16 772) | (17 060) |
| Income from change in fair value of biological assets and agricultural products | 5 | 1 185 | 1 324 |
| Gross profit (loss) | | 6 059 | 5 955 |
| Income from government grants | | - | - |
| Administrative expenses | 7.2 | (511) | (593) |
| Distribution expenses | 7.3 | (422) | (480) |
| Other operating income/(expenses), net | 6 | 1 159 | 195 |
| Financial income/(expenses), net | 8 | (668) | (103) |
| Exchange rate differences, net | | 362 | (848) |
| Profit (loss) from continuing operations | | 5 979 | 4 126 |
| Income tax benefit/expense | 9 | (228) | 35 |
| Profit (loss) for the year | | 5 751 | 4 161 |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit or loss: | | | |
| Exchange differences on translation of foreign operations | | (411) | (2 404) |
| Total comprehensive income for the year | | 6 162 | 1 757 |
| Net profit for the year/period attributable to: | | | |
| Equity holders of the parent | | 5 112 | 3 864 |
| Non-controlling interests | | 639 | 297 |
| Net profit for the year/period | | 5 751 | 4 161 |
| Total comprehensive income attributable to: | | | |
| Equity holders of the parent | | 5 477 | 1 632 |
| Non-controlling interests | | 685 | 126 |
| Total comprehensive income | | 6 162 | 1 757 |


 Oleksandr Berdnyk
 Director

BIZSERVE INVESTMENTS LIMITED

 Bizserve Investments Limited
 Director


BIZSERVE MANAGEMENT LIMITED

 Bizserve Management Limited
 Director

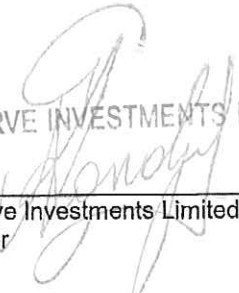
AGROLIGA GROUP PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2018 (in thousands of EUR)

| | Note | 31.12.2018 | 31.12.2017 |
|--|------|---------------|---------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 10 | 15 843 | 9 213 |
| Biological assets | 11 | 101 | 70 |
| Non-current loans receivable | 14 | 367 | 348 |
| Deferred tax assets | 18 | 31 | 85 |
| Total non-current assets | | 16 342 | 9 716 |
| Current assets | | | |
| Inventories and work in progress | 13 | 10 306 | 8 141 |
| Biological assets | 11 | 640 | 587 |
| Trade and other receivables | 14 | 14 707 | 6 766 |
| Cash and cash equivalents | 15 | 196 | 119 |
| Total current assets | | 25 849 | 15 613 |
| TOTAL ASSETS | | 42 191 | 25 329 |
| EQUITY AND LIABILITIES | | | |
| Equity and reserves | | | |
| Share capital | 16 | 31 | 31 |
| Share premium | | 953 | 953 |
| Translation reserve | | (12 277) | (12 688) |
| Retained earnings | | 30 301 | 25 189 |
| Equity attributable to equity holders of the parent | | 19 188 | 13 485 |
| Non-controlling interests | | 1 320 | 681 |
| Total equity | | 20 328 | 14 166 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Borrowings | 17 | 5 103 | 3 673 |
| Deferred tax liabilities | 18 | 198 | 34 |
| Total Non-current liabilities | | 5 301 | 3 707 |
| Current liabilities | | | |
| Trade and other payables | 19 | 9 987 | 3 076 |
| Borrowings | 17 | 6 533 | 4 361 |
| Provision | | 35 | 19 |
| Total Current liabilities | | 16 562 | 7 456 |
| TOTAL EQUITY AND LIABILITIES | | 42 191 | 25 329 |


 Oleksandr Berdnyk
 Director


 Bizserve Investments Limited
 Director

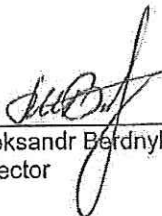

 Bizserve Management Limited
 Director


AGROLIGA GROUP PLC


CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018 (in thousands of EUR)

| | Attributable to equity holders of the Company | | | | | Total |
|--|---|---------------|---------------------|-------------------|---------------------------|---------|
| | Share capital | Share premium | Translation reserve | Retained earnings | Non-controlling interests | |
| Balance at 1 January 2017 as previously reported | 31 | 953 | (10 283) | 21 324 | 384 | 12 409 |
| Net profit for the year | - | - | - | 3 865 | 297 | 4 162 |
| Exchange difference on the translation and consolidation for foreign companies' financial statements | - | - | (2 405) | - | - | (2 405) |
| Balance at 31 December 2017 | 31 | 953 | (12 688) | 25 189 | 681 | 14 166 |
| Balance at 1 January 2018 as previously reported | 31 | 953 | (12 688) | 25 189 | 681 | 14 166 |
| Net profit for the year | - | - | - | 5 112 | 639 | 5 751 |
| Exchange difference on the translation and consolidation for foreign companies' financial statements | - | - | 411 | - | - | 411 |
| Balance at 31 December 2018 | 31 | 953 | (12 277) | 30 301 | 1 320 | 20 328 |


Oleksandr Berdnyk
Director


Bizserve Investments Limited
Director



Bizserve Management Limited
Director

AGROLIGA GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018 (in thousands of EUR)

| | For the year ended 31.12.2018 | For the year ended 31.12.2017 |
|--|-------------------------------------|-------------------------------------|
| Cash flows from operating activities | | |
| Profit before tax | 5 979 | 4 126 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 362 | 281 |
| Changes in the reserve of doubtful debts | 393 | 77 |
| (Losses)/gain on current assets sold | 17 | (171) |
| Exchange rate differences, net | (362) | 848 |
| Changes in deferred taxes | (110) | (46) |
| Income from change in fair value of biological assets | (1 185) | (1 324) |
| Interest income | (68) | (79) |
| Interest expense | 736 | 182 |
| | <u>5 762</u> | <u>3 894</u> |
| Cash flows from operations before working capital changes | | |
| Decrease/(increase) in inventories and work in progress | (1 566) | (2 281) |
| Decrease/(increase) in trade and other receivables | (7 345) | (1 589) |
| Decrease/(increase) in biological assets | (20) | (87) |
| (Decrease)/increase in trade and other payables | 5 944 | 1 654 |
| | <u>2 775</u> | <u>1 591</u> |
| Cash flows from operations | | |
| Income tax paid | (11) | 9 |
| Net cash flows from operating activities | <u>2 764</u> | <u>1 600</u> |
| Cash flows from investing activities | | |
| Payment for purchase of property, plant and equipment | (6 419) | (6 954) |
| Proceeds from disposal of property, plant and equipment | - | 37 |
| Loans granted | - | - |
| Interest received | 68 | 79 |
| Net cash (loss) generated by investing activities | <u>(6 351)</u> | <u>(6 839)</u> |
| Cash flows from financing activities | | |
| Proceeds from borrowings | 7 830 | 9 839 |
| Repayment of borrowings | (3 998) | (4 641) |
| Interest paid | (485) | (295) |
| Net cash (loss) generated by financing activities | <u>3 347</u> | <u>4 903</u> |
| Net increase (decrease) in cash | (240) | (335) |
| Cash at the beginning of the year | 119 | 636 |
| Effect of exchange rates fluctuations on cash and cash equivalents | 317 | (182) |
| Cash at the end of the year | <u>196</u> | <u>119</u> |


Oleksandr Berdnik
Director


BIZSERVE INVESTMENTS LIMITED

Bizserve Investments Limited
Director


BIZSERVE MANAGEMENT LIMITED

Bizserve Management Limited
Director

AGROLIGA GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

1. INCORPORATION AND PRINCIPAL ACTIVITIES

Country of incorporation

The Group Agroliga Group Plc. (the «Group») was incorporated in Cyprus on 23 June 2010 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its registered office is at 11 Boumpoulinas Street, 1st floor, 1060 Nicosia, Cyprus.

Principal activities

The principal activities of the Group are the production of vegetable oils, cereals, meat and dairy breeding herd.

The Group

These consolidated financial statements also include:

Private Liability Company "Agroliga Group" ("PLC "Agroliga Group");
Limited Liability Company "Agroliga Group" ("LLC "Agroliga Group");
Limited Liability Company "Agroliga" ("LLC "Agroliga");
Limited Liability Company "Vostokagrokontrakt" ("LLC "Vostokagrokontrakt");
Limited Liability Company "Agrocom Nova Vodolaga" ("LLC "Agrocom NV");
Private Enterprise "Liga A" ("PE "Liga A");
Private Enterprise "Mechnikovo" ("PE "Mechnikovo").
Limited Liability Company "Mayak"
Limited Liability Company "Agroliga Polska"
Limited Liability Company "Agroliga-Trade" ("LLC "Agroliga-Trade")
Limited Liability Company "AGL Energy", (AGL Energy, LLC)

2. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented in these consolidated financial statements unless otherwise stated.

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. These consolidated financial statements have been prepared under the historical cost convention with the exception of biological assets have been prepared under fair value.

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

Adoption of the standards and interpretations during the reporting period

In the current year the Group has applied all new and revised standards and interpretations adopted by the International Accounting Standards Board and International Financial Reporting Interpretations Committee which are to be applied in financial statements for the periods beginning on or after 1 January 2018.

As at the date of approval of these financial statements, the following standards, interpretations and changes to the standards have been issued, but are not effective yet:

- IFRS 1 «First-time Adoption of International Reporting Standards»: amended by Annual Improvements to IFRS Standards 2014–2016, as well, as were deleted the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose. Effective for annual periods beginning on or after 1 January 2018;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

- IFRS 2 «Share-based payment»: were changed classification and evaluation of share-based payment transactions (changes in IFRS 2);
- IFRS 3 «Business Combinations» and IFRS 11 «Joint Arrangements». The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. Effective for annual periods beginning on or after 1 January 2019;
- IFRS 4 «Insurance Contracts»: IFRS 17 will replace IFRS 4 from 1 January 2021;
- IFRS 9 «Financial Instruments» - IASB s) to address the concerns about how IFRS 9 classifies particular prepayable financial assets. The amendments are to be applied retrospectively for fiscal years beginning on or after 1 January 2019; early application is permitted.
- IAS 11 «Construction Contracts»: IAS 11 will be replaced by IFRS 15 «Income from contracts with customers» - effective from 1 January 2018;
- IFRS 15 «Revenue from Contracts with Customers» (new standard) - Effective for an entity's first annual IFRS financial statements for periods beginning on or after 1 January;
- IFRS 16 «Leases» (replaces the following standards and interpretations: IAS 17 «Leases»; Interpretation IFRIC 4 «Definition of the contract of leasing transaction»; Interpretation SIC 15 «Operating Lease»; Interpretation of SIC 27 «Evaluation of the contents of transactions involving the legal form of leasing». IAS 16 establishes principles for the recognition, valuation, reporting and disclosure of leasing information to ensure that the relevant information is provided by the lessor and the lessee who faithfully represents these transactions. It was issued in January 2016 and becomes effective for annual periods beginning on or after 1 January 2019;
- Published IFRS 17 «Insurance Contracts». IFRS 17 establishes the principles for the recognition, assessment, presentation and disclosure of auto service agreements under the standard. The purpose of IFRS 17 is to ensure that an enterprise provides relevant information that faithfully represents these contracts. This information is the basis for the review of financial statements to assess the impact that insurance contracts have on the financial condition, financial performance and cash flows of the enterprise. Effective for annual periods beginning on or after 1 January 2021;
- IAS 11 «Construction Contracts»: IAS 11 will be replaced by IFRS 15 «Income from contracts with customers» - effective from 1 January 2018;
- (IAS) 12 «Income Taxes». The amendments provide explanations for income taxes from dividends, and when they should be recognized as a profit or loss. Effective for annual periods beginning on or after 1 January 2019;
- IAS 17 «Leases»: IAS 17 will be replaced by IFRS 16 «Leases» - effective 1 January 2019;
- IAS 18 «Revenue»: IAS 18 will be replaced by IFRS 15 «Income from contracts with customers» - effective 1 January 2018;
- IAS 28 «Consolidated and Separate Financial Statements»: amended through annual improvements to IFRSs 2015-2017 (measurement of an associate or joint venture at fair value). Interpretation by the method of estimating fair value through profit or loss of an investment in an associate or joint venture that is at the disposal of the enterprise and which is a venture capital company or other qualifying enterprise. Effective for annual periods beginning on or after 1 January 2018;
- IAS 28 «Consolidated and Separate Financial Statements»: changes in long-term interests in associates and joint ventures (changes in IAS 28). Effective for annual periods beginning on or after 1 January 2019;
- IAS 39 «Financial Instruments: Recognition and Measurement» (replacement of IFRS 9 «Financial Instruments»);
- IAS 40 «Investment Property»: changes in the transfer of investment property (changes in IAS 40). Effective for annual periods beginning on or after 1 July 2018;
- Interpretation IFRIC 22 «Foreign Currency Transactions and Preliminary Appraisal». Interpretation IFRIC 22 clarifies accounting operations, including the receipt of payment or advance payment in foreign currency. Effective for annual periods beginning on or after 1 January 2018. Previously, application is allowed.

AGROLIGA GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

Management of the Group expects that the entry into force of these standards and interpretations will not have a significant impact on the consolidated financial statements. For today, the Group does not plan to adopt these standards and interpretations in advance.

Basis of consolidation

The Group consolidated financial statements comprise the financial statements of the parent company Agroliga Group Plc. and the financial statements of the Ukrainian companies Agroliga Group LLC, PLC Liga-A, Agrokomb NV LLC, PLC Mechnikovo, Agroliga LLC, Vostokagrokontract LLC, Mayak LLC, Limited Liability Company "Agroliga Polska", "Agroliga-Trade" LLC and AGL ENERGY, LLC

The financial statements of all the Group companies are prepared using uniform accounting policies. All inter-company transactions and balances between Group companies have been eliminated during consolidation.

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 recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized 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 recognized 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.

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 recognized immediately in profit or loss as a bargain purchase gain.

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 recognized 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

AGROLIGA GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

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 recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured 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 recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

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 recognized at that date.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

Revenue recognition

Revenue comprises the invoiced amount for the sale of products net of Value Added Tax, rebates and discounts. Revenues earned by the Group are recognized on the following bases:

- **Sale of products**
Sales of products are recognized when significant risks and rewards of ownership of the products have been transferred to the customer, which is usually when the Group has sold or delivered the products to the customer, the customer has accepted the products and collectability of the related receivable is reasonably assured.
- **Interest income**
Interest income is recognized on a time-proportion basis using the effective interest method.

Finance costs

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

Foreign currency translation

Functional and presentation currency

Items included in the Group's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro (€'000), which is the Group's presentation currency.

All amounts of these consolidated financial statements are accounted in local currency of each of the company of the Group ("the functional currency"). The functional currency of each of the Group companies is indicated below:

| <u>Name of Group's company</u> | <u>Country</u> | <u>Functional currency</u> |
|--------------------------------|----------------|----------------------------|
| PLC "Agroliga Group" | Cyprus | EUR |
| LLC "Agroliga Group" | Ukraine | UAH |
| LLC "Agroliga" | Ukraine | UAH |
| LLC "Vostokagrokontrakt" | Ukraine | UAH |
| LLC "Agrocom Nova Vodolaga" | Ukraine | UAH |
| PE "Liga A" | Ukraine | UAH |
| PE "Mechnikovo" | Ukraine | UAH |
| LLC "Mayak" | Ukraine | UAH |
| LLC "Agroliga Polska" | Poland | USD |
| LLC "AGL Energy" | Ukraine | UAH |
| LLC "Agroliga-Trade" | Ukraine | UAH |

AGROLIGA GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

Management has determined the EUR as the presentation currency of these combined financial statements. Financial information the Group was converted from UAH and USD to EUR, rounded to the nearest thousand.

For the purpose of these consolidated financial statements presentation, assets and liabilities of the Group's companies are translated from UAH and USD to EUR at the foreign exchange rates at each balance sheet date and income and expenses are translated at average foreign exchange rates for each reporting period. All related to this differences from presentation of consolidated financial statements in presentation currency are recognized as a separate component of equity. Foreign exchange rates were obtained from the National Bank of Ukraine Federation data.

National Bank of Ukraine foreign exchange rates used during the consolidated financial statements preparation:

| | 100 EUR/UAH | 100 EUR/USD |
|-------------------------------------|-------------|-------------|
| For the year ended 31 December 2018 | 3 171.414 | 114.500 |
| Average for 2018 | 3 213.408 | 118.500 |
| For the year ended 31 December 2017 | 3 349.542 | 119.930 |
| Average for 2017 | 3 001.285 | 112.970 |

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate at the end of the reporting period.

The Ukrainian hryvnia is not a freely convertible currency outside of Ukraine, therefore, in accordingly conversion of UAH in EUR should be treated as amounts in UAH have been, can be or will be in the future converted into EUR at the determined rate or any other exchange rate.

Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Dividends

Dividend distribution to the Group's shareholders is recognized in the Group's financial statements in the year in which they are approved by the Board of Directors.

Biological assets

Livestock are measured at their fair value less estimated point-of-sale costs. The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit. Milk is initially measured at its fair value less estimated point-of-sale costs at the time of milking. The fair value of milk is determined based on market prices in the local area.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

AGROLIGA GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is calculated on the straight-line method so as to write off the cost of each asset to its residual value over its estimated useful life. The annual depreciation rates used are as follows:

| | % |
|---------------------------------------|-------|
| Property under construction | |
| Buildings | 2-5 |
| Agricultural equipment | 7-10 |
| Motor vehicles and other fixed assets | 10-20 |
| Production equipment | 5-10 |

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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

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

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Deferred income from government grants

Government grants on non-current assets acquisitions are credited to profit or loss in instalments over the estimated useful economic lives of the corresponding assets. This is achieved by deducting grants from the book value of these assets and the recognition of income through the reduced depreciation charge. Grants are recognized when there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants that relate to expenses are recognized in profit or loss as revenue.

Financial assets and financial liabilities are recognized in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Prepayments from clients

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

Loans granted

Loans originated by the Group by providing money directly to the borrower are categorized as loans and are carried at amortized cost. The amortized cost is the amount at which the loan granted is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. All loans are recognized when cash is advanced to the borrower.

AGROLIGA GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash at bank and in hand.

Borrowings

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

Trade payables

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

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 derecognized when:

- the 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.

Financial liabilities

A financial liability is derecognized 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 recognized in profit or loss.

Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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 recognized amounts and there is an intention to settle on a net basis, or to realize 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.

AGROLIGA GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

Inventories

Inventories are stated at the lower of cost and net realizable value. The cost is determined using the first-in-first-out basis with the exception of Vostokagrokontrakt which uses the weighted average method. The costs of finished goods and semi-finished goods comprises materials, direct labour, other direct costs and related production overheads (based on normal operating activity) but excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less the costs to completion and selling expenses.

Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

Non-current liabilities

Non-current liabilities represent amounts that are due more than twelve months from the reporting date.

Comparatives

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

3. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group is influenced by interest rate risk, credit, liquidity, liquidity risk, currency risk and capital management due to the existence of financial instruments. Information concerning the influence of these risks on the Group, goals of the Group, its policy and procedures of risk measurement and management are disclosed in the notes below:

3.1 Interest rate risk

Interest rate risk is the risk that 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.

3.2 Credit risk

Credit risk is a risk of financial losses of the Group in the case of counterpart's failure of complying with liabilities to the Group in accordance with the contract. In the reporting financial period, assets of the Group which are subject to such risk are represented by cash in bank, trade and other receivables (except receivables, which are not financial assets by nature).

Sensitivity to credit risk

Carrying amount of financial assets is the maximum value, which is a subject to financial risk. Maximum value of credit risk as at 31 December 2018 and 31 December 2017 disclosed in the following table:

| 3.2 Assets in the Consolidated Statement of Financial Position | 31.12.2018 | 31.12.2017 |
|---|-------------------|-------------------|
| | €'000 | €'000 |
| Net trade receivables | 14 707 | 6 766 |
| Cash and cash equivalents | 196 | 119 |
| Total: | 14 903 | 6 885 |

Credit risk of the Group mainly relates to trade receivables with customers (purchasers of goods). Susceptibility of the Group to credit risk mainly depends on features of each client.

AGROLIGA GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

3.3 Liquidity risk

Liquidity risk is the risk of failure of complying with Group's financial liabilities at the date of their settlement. Group's approach to liquidity management consists in securing (as much as possible) constant presence of liquidity, which would make possible to settle liabilities in time (both in regular conditions, and in extraordinary ones), allowing to avoid additional costs or damage of Group reputation.

Management of the Group is liable for maintaining the required level of liquidity. Related structure of maintaining of the Group's requirements of short- and long-term financing and for liquidity control was developed by the management of the Group. The Group manages this risk by maintaining sufficient reserves, utilization of bank resources and loans. It monitors also the planned and actual cash flows, matches inflow and outflow of cash.

Liquidity analysis is to compare assets, grouped according to their degree of liquidity and arranged in descending order of liquidity, with liabilities, grouped by maturity dates and arranged in ascending order of maturity.

3.3.1 Assets in descending order of liquidity

| | 31.12.2018 | 31.12.2017 |
|-------------------------------|---------------|---------------|
| | €'000 | €'000 |
| The most liquid assets (A1) | 196 | 119 |
| Quick assets (A2) | 14 707 | 6 766 |
| Slow assets (A3) | 10 946 | 8 728 |
| Difficult to sell assets (A4) | 16 342 | 9 716 |
| Total: | 42 191 | 25 329 |

3.3.2 Liabilities in ascending order of maturity

| | 31.12.2018 | 31.12.2017 |
|-----------------------------------|---------------|---------------|
| | €'000 | €'000 |
| The most forward liabilities (L1) | 10 029 | 3 095 |
| Current liabilities (L2) | 6 533 | 4 361 |
| Non-current liabilities (L3) | 5 301 | 3 707 |
| Equity (L4) | 20 328 | 14 166 |
| Total: | 42 191 | 25 329 |

The absolute amounts of payment excess or deficiency as at 31.12.2018 and 31.12.2017 are presented in the table below:

| | Excess (deficiency) | |
|--|---------------------|------------|
| 3.3.3 Groups of assets and liabilities | 31.12.2018 | 31.12.2017 |
| | €'000 | €'000 |
| 1 | (9 833) | (2 976) |
| 2 | 8 174 | 2 405 |
| 3 | 5 645 | 5 021 |
| 4 | (3 986) | (4 450) |

The Statement of financial position is considered to be absolutely liquid, if: $A1 > L1$, $A2 > L2$, $A3 > L3$, $A4 < L4$. As at 31.12.2018, three of four conditions of liquidity fulfilled.

The following table provides a liquidity analysis of the Group as at 31.12.2018 and 31.12.2017 with use of liquidity indicators calculation:

| 3.3.4 Liquidity indicators | 31.12.2018 | 31.12.2017 |
|----------------------------|------------|------------|
| Absolute liquidity ratio | 0,012 | 0.016 |
| Quick liquidity ratio | 1,259 | 0.853 |
| Current liquidity ratio | 1,561 | 2.094 |

The absolute liquidity ratio shows the amount of payables that entity can repay immediately. This ratio should not be below 0.2. As at 31.12.2018, the Group may immediately pay off less than 1% payable (as at 31.12.2017 – 1.6%).

The quick liquidity ratio shows how liquid funds of the entity cover its current liabilities. Liquid assets include all current assets of the entity, except for inventories. The recommended ratio from 0.7-0.8 to 1.5. As at 31.12.2018 the Group's liquid assets cover its current liabilities by 127.7% (as at 31.12.2017 – 85.3%).

AGROLIGA GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

The current liquidity ratio shows whether the entity owns enough funds that may be used to repay its current liabilities during the year. The recommended ratio is from 1 to 2. As at 31.12.2018, the Group has enough funds to repay its current liabilities.

The table below represents the analysis of Group's monetary liabilities by maturities based on the remaining term at the reporting date to the contractual maturity date, after 31 December 2018:

| 3.3.5 Liabilities in the Consolidated Statement of Financial Position as at 31.12.2018 | Up to 1 year | From 1 to 5 | Total |
|--|---------------|----------------|---------------|
| | €'000 | years €'000 | |
| Non-current borrowings | - | 5 103 | 5 103 |
| Current borrowings | 6 533 | - | 6 533 |
| Trade and other payables | 10 029 | - | 10 029 |
| Total: | 16 562 | 5 103 | 21 665 |

The table below represents the analysis of Group's monetary liabilities by maturities based on the remaining term at the reporting date to the contractual maturity date, after 31 December 2017:

| 3.3.6 Liabilities in the Consolidated Statement of Financial Position as at 31.12.2017 | Up to 1 year | From 1 to 5 | Total |
|--|--------------|----------------|---------------|
| | €'000 | years €'000 | |
| Non-current borrowings | - | 3 673 | 3 673 |
| Current borrowings | 4 361 | - | 4 361 |
| Trade and other payables | 3 076 | - | 3 076 |
| Total: | 7 437 | 3 673 | 11 110 |

Amounts of trade and other payables presented in tables above, do not include payables on advances received, payables to employees and tax payables.

According to plans of the Group, previously planned requirements concerning working capital fulfilled for both inflow of cash from operating activities, and inflow from borrowings, when amount of cash is not enough.

3.4 Currency risk

Management establishes limits to the currency risk exposure by currencies and as a whole. There is a control over positions. Solely monetary assets and liabilities are included in the analysis. Non-monetary assets not considered as those being able to bring to a significant currency risk.

According to IFRS 7 "Financial Instruments: Disclosures", currency risk appears as regards monetary financial instruments in currency being not functional; risks associated with currency translation are not taken into account. Currency risk arises, mainly, in respect of non-functional currencies, in which the Group has financial instruments.

Mainly the Group performs its activities in the following currencies: EUR, USD, UAH.

The table below represents sensitivity of the Group's profit (loss) to a possible moderate change in exchange rate, when other components remain unchanged:

| 31.12.2018 | Increase/ Decrease | Effect on profit before tax |
|------------|-----------------------|--------------------------------|
| | | €'000 |
| EUR | 5% | (253) |
| EUR | (5%) | 253 |
| USD | 5% | 8 |
| USD | (5%) | (8) |
| 31.12.2017 | Increase/ Decrease | Effect on profit before tax |
| | | €'000 |
| EUR | 5% | (262) |
| EUR | (5%) | 262 |
| USD | 5% | (21) |
| USD | (5%) | 21 |

AGROLIGA GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

The table below represents the Group's monetary assets and liabilities at their carrying amount as at 31 December 2018 and 31 December 2017.

As at 31 December 2018:

| | UAH €'000 | EUR €'000 | USD €'000 | Total €'000 |
|--|-----------------|----------------|--------------|-----------------|
| Non-current borrowings | (66) | (5 037) | - | (5 103) |
| Current borrowings | (4 602) | (1 792) | (139) | (6 533) |
| Trade and other payables | (9 479) | (514) | (1) | (9 994) |
| Total financial liabilities | (14 147) | (7 343) | (140) | (21 630) |
| Cash and cash equivalents | 79 | - | 117 | 196 |
| Trade and other receivables | 12 246 | 2 282 | 179 | 14 707 |
| Total financial assets | 12 325 | 2 282 | 296 | 14 903 |
| Total carrying amount exposed to risk | (1 822) | (5 061) | 156 | (6 727) |

As at 31 December 2017:

| | UAH €'000 | EUR €'000 | USD €'000 | Total €'000 |
|--|----------------|----------------|--------------|-----------------|
| Non-current borrowings | (78) | (3 522) | (73) | (3 673) |
| Current borrowings | (2 595) | (1 598) | (168) | (4 361) |
| Trade and other payables | (1 839) | (871) | (366) | (3 076) |
| Total financial liabilities | (4 512) | (5 991) | (607) | (11 110) |
| Cash and cash equivalents | 24 | 1 | 94 | 119 |
| Trade and other receivables | 5 915 | 757 | 94 | 6 766 |
| Total financial assets | 5 939 | 758 | 188 | 6 885 |
| Total carrying amount exposed to risk | 1 427 | (5 233) | (419) | (4 225) |

3.5 Capital risk management

Capital management of the Group is directed on maintenance of continuous activities of the Group with the simultaneous increase in profits for shareholders through optimization of gearing.

Management of the Group maintains capital on the level, which is sufficient for achievement strategic and operational requirements and for support the trust of other players of the market. This is achieved through efficient cash management, continuous control of revenue and profit of the Group, and also planning of long-term investments, which are financed using cash flows from the operating activity of the Group. By carrying out these actions, Group is trying to provide the permanent increase of profits.

| 3.5.1 Calculation of financial indicators | 31.12.2018 €'000 | 31.12.2017 €'000 |
|--|---------------------|---------------------|
| Share capital | 31 | 31 |
| Share premium | 953 | 953 |
| Translation reserve | (12 277) | (12 688) |
| Retained earnings | 30 301 | 25 189 |
| Non-controlling interests | 1 320 | 681 |
| Total equity | 20 328 | 14 166 |
| Non-current borrowings | 5 103 | 3 673 |
| Current borrowings | 6 533 | 4 361 |
| Trade and other payables | 10 029 | 3 095 |
| Total borrowings | 21 665 | 11 129 |
| Cash and cash equivalents | 196 | 119 |
| Net debt | 21 469 | 11 010 |
| Total equity and net debt | 41 797 | 25 176 |
| Net debt/ Total equity and net debt | 0,514 | 0.437 |

Accumulated profit of the Group is characterized by increase. Thus, from 31.12.2017 to 31.12.2018 the indicator has increased by EUR 5 112 thousand. As at 31.12.2018 the total equity increased by EUR 6 162 thousand compared with 2016. As at 31.12.2018 the total amount of borrowings increased by 94.6% compared with 2017, which confirms the increase of the Group's financial dependence on external financing. As at 31.12.2018, the total amount of borrowings was EUR 21 665 thousand.

AGROLIGA GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

| 3.5.2 Calculation of financial indicators | Year ended 31.12.2018 | Year ended 31.12.2017 |
|---|----------------------------------|----------------------------------|
| | €'000 | €'000 |
| Profit (loss) before tax | 5 979 | 4 126 |
| Financial income/(expenses), net | (668) | (103) |
| EBIT (earnings before interests and taxes) | 6 647 | 4 229 |
| Depreciation of property, plant and equipment and amortization of intangible assets | 362 | 281 |
| EBITDA (earnings before interests, taxes, depreciation and amortization) | 7 009 | 4 510 |
| Net debt at the end of the year | 11 010 | 5 160 |
| Net debt at the end of the year / EBITDA | 1,571 | 1.144 |

The term EBITDA means an analytical indicator, equal to the amount of profit before accrued interest expenses, taxes and depreciation deductions. There were no changes in approaches to capital management in reporting periods. In 2018, EBITDA indicator has significantly increased compared with 2017 by EUR 2 499 thousand.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Provision for bad and doubtful debts

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. If indications of irrecoverability exist, the recoverable amount is estimated and a respective provision for bad and doubtful debts is made. The amount of the provision is charged through profit or loss. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly.

Provision for obsolete and slow-moving inventory

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

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

Income taxes

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes 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.

Impairment of non-financial assets

The impairment test is performed using the discounted cash flows expected to be generated through the use of non-financial assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Group estimates the recoverable amount of the cash generating unit in which the asset belongs to.

AGROLIGA GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

5. REVENUE

| | Year ended 31.12.2018 | Year ended 31.12.2017 |
|---|--------------------------|--------------------------|
| | €'000 | €'000 |
| 5.1 Sales revenue | | |
| Finished goods sold | 16 213 | 12 886 |
| Goods sold | 5 312 | 7 307 |
| Services rendered | 121 | 1 498 |
| Income from change in fair value of biological assets and agricultural products | 1 185 | 1 324 |
| Total sales revenue: | 22 831 | 23 015 |

6. OTHER OPERATING INCOME / (EXPENSES), NET

| | Year ended 31.12.2018 | Year ended 31.12.2017 |
|---|--------------------------|--------------------------|
| | €'000 | €'000 |
| 6.1 Other operating income/(expenses), net | | |
| Losses/gain on current assets sold | (17) | 171 |
| Write-off of accounts receivable and advances given | (393) | (77) |
| Income from write-off of accounts payable | 862 | 4 |
| Free revenues from tolling sunflower processing | 166 | 95 |
| Income from previously written off assets (reverse) | 577 | - |
| Recognized fines, penalties | (4) | (2) |
| Other income | 6 | 34 |
| Other expenses | (2) | (2) |
| Other operating expenses | (36) | (28) |
| Losses/gain on current assets sold | - | 195 |
| Total: | 1 159 | 11 |

7. EXPENSES

| | Year ended 31.12.2018 | Year ended 31.12.2017 |
|---------------------------------------|--------------------------|--------------------------|
| | €'000 | €'000 |
| 7.1 Cost of sales | | |
| Materials inc. changes in inventories | (15 108) | (15 367) |
| Services | (532) | (1 083) |
| Depreciation and amortization | (315) | (201) |
| Lease | (145) | (114) |
| Staff costs | (610) | (184) |
| Taxes | (62) | (111) |
| Total: | (16 772) | (17 060) |

| | Year ended 31.12.2018 | Year ended 31.12.2017 |
|------------------------------------|--------------------------|--------------------------|
| | €'000 | €'000 |
| 7.2 Administrative expenses | | |
| Depreciation and amortization | (47) | (80) |
| Materials | (57) | (40) |
| Staff costs | (184) | (144) |
| Services | (200) | (327) |
| Taxes | (23) | (2) |
| Total: | (511) | (593) |

AGROLIGA GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

| 7.3 Distribution expenses | Year ended 31.12.2018 | Year ended 31.12.2017 |
|----------------------------------|----------------------------------|----------------------------------|
| | €'000 | €'000 |
| Transport services | (274) | (275) |
| Marketing and promotion services | (84) | (86) |
| Other services | (17) | (89) |
| Materials | (31) | (20) |
| Staff costs | (16) | (10) |
| Total: | (422) | (480) |

8. FINANCIAL INCOME/ (EXPENSES), NET

| 8.1 Financial income/ (expenses), net | Year ended 31.12.2018 | Year ended 31.12.2017 |
|--|----------------------------------|----------------------------------|
| | €'000 | €'000 |
| Bank interest income | 66 | 79 |
| Unrealised exchange profit | 2 | - |
| Interest expense | (648) | (160) |
| Other finance expenses | (88) | (22) |
| Total: | (668) | (103) |

9. TAXES

| 9.1 Tax recognized in profit or loss | Year ended 31.12.2018 | Year ended 31.12.2017 |
|---|----------------------------------|----------------------------------|
| | €'000 | €'000 |
| Profit (loss) before tax | 5 979 | 4 126 |
| Overseas tax from tax rate 18% | (1 076) | (743) |
| Deferred tax effect | (218) | 46 |
| Effect change tax rate | 1 066 | 732 |
| Charge/(credit) for the year | (228) | 35 |

The corporation tax rate varies is 12.5% for the Cyprus entity and up to 18% for the Ukrainian entities.

10. PROPERTY, PLANT AND EQUIPMENT

| 10.1. Property, Plant and Equipment | 31.12.2018 | 31.12.2017 |
|--|-------------------|-------------------|
| | €'000 | €'000 |
| Historical cost | 17 175 | 10 124 |
| Accumulated depreciation | (1 332) | (911) |
| Net carrying amount | 15 843 | 9 213 |
| Construction in progress | 387 | 6 771 |
| Buildings and structures | 9 118 | 1 141 |
| Agricultural equipment | 843 | 983 |
| Production equipment | 4 962 | 253 |
| Vehicles | 533 | 65 |
| Total: | 15 843 | 9 213 |

AGROLIGA GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

| | Buildings | Property under construction | Agricultural equipment | Motor vehicles and other fixed assets | Production equipment | Total |
|------------------------------------|--------------|-----------------------------|------------------------|---------------------------------------|----------------------|----------------|
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| Cost | | | | | | |
| Balance at 31 December 2016 | 1.701 | 356 | 1.511 | 245 | 496 | 4.309 |
| Additions | 11 | 6.806 | 216 | 9 | 32 | 7074 |
| Disposals | | | (37) | | | (37) |
| Exchange differences | (353) | (391) | (244) | (153) | (81) | (1.222) |
| Balance at 31 December 2017 | 1.359 | 6.771 | 1.446 | 101 | 447 | 10.124 |
| Additions | 7 905 | - | 9 | 522 | 4 659 | 13 095 |
| Disposals | (1) | (6 676) | (1) | (19) | - | (6 697) |
| Exchange differences | 181 | 292 | 82 | 12 | 86 | 653 |
| Balance at 31 December 2018 | 9 444 | 387 | 1 536 | 616 | 5 192 | 17 175 |
| Depreciation | | | | | | |
| Balance at 31 December 2016 | (159) | - | (464) | (83) | (110) | (816) |
| Charge for the year | (69) | - | (123) | (10) | (79) | (281) |
| On disposal | - | - | 32 | - | - | 32 |
| Exchange differences | 10 | - | 92 | 57 | (5) | 154 |
| Balance at 31 December 2017 | (218) | - | (463) | (36) | (194) | (911) |
| Charge for the year | (94) | - | (178) | (52) | (38) | (362) |
| On disposal | - | - | - | 7 | - | 7 |
| Exchange differences | (14) | - | (52) | (2) | 2 | (66) |
| Balance at 31 December 2018 | (326) | - | (693) | (83) | (230) | (1 332) |
| Net book value | | | | | | |
| Balance at 31 December 2018 | 9 118 | 387 | 843 | 533 | 4 962 | 15 843 |
| Balance at 31 December 2017 | 1 141 | 6 771 | 983 | 65 | 253 | 9 213 |

11. BIOLOGICAL ASSETS

11.1 Biological assets

| | Year ended 31.12.2018 €'000 | Year ended 31.12.2017 €'000 |
|--|-----------------------------------|-----------------------------------|
| Balance at 1 January 2018 | 657 | 697 |
| Increases due to purchases | | - |
| Decrease in value due to disposal and products gathering | (9 856) | (8.994) |
| Increase in value due to capitalized expenses | 9 318 | 7.885 |
| Exchange difference | (563) | (255) |
| Gains arising from changes in fair value | 1 185 | 1.324 |
| Balance at 31 December 2018 | 741 | 657 |
| Non-current portion | 101 | 70 |
| Current portion | 640 | 587 |
| Total: | 741 | 657 |

AGROLIGA GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

| 11.2 Biological assets cost | 31.12.2018 | 31.12.2017 |
|--------------------------------------|-------------------|-------------------|
| | €'000 | €'000 |
| Non-current biological assets | | |
| Cattle | 85 | 55 |
| Gardens | 16 | 15 |
| Current biological assets | | |
| Cattle | 72 | 46 |
| Sunflower | - | 86 |
| Wheat | 455 | 365 |
| Other cereals | 113 | 90 |
| Total: | 741 | 657 |

12. NON-CURRENT LOANS RECEIVABLE

| 12.1. Non-current loans receivable | 31.12.2018 | 31.12.2017 |
|---|-------------------|-------------------|
| | €'000 | €'000 |
| Loans to shareholders (note 21.4) | 367 | 348 |
| Total: | 367 | 348 |

The exposure of the Group to credit risk is reported in note 3 of the consolidated financial statements. The fair values of non-current receivables approximate to their carrying amounts as presented above.

13. INVENTORIES AND WORK IN PROGRESS

| 13.1 Inventories and work in progress | 31.12.2018 | 31.12.2017 |
|--|-------------------|-------------------|
| | €'000 | €'000 |
| Raw and materials | 882 | 1 031 |
| Work in progress | 702 | 1 027 |
| Agricultural products and finished goods | 7 640 | 4 251 |
| Goods | 278 | 83 |
| Fuel | 284 | 287 |
| Spare parts and building materials | 519 | 1 385 |
| Other inventories | 1 | 77 |
| Total: | 10 306 | 8 141 |

14. TRADE AND OTHER RECEIVABLES

| 14.1. Trade receivables | 31.12.2018 | 31.12.2017 |
|--|-------------------|-------------------|
| | €'000 | €'000 |
| Trade receivables of customers | 6 079 | 2 984 |
| Doubtful debts allowance | (160) | (302) |
| Trade receivables to related parties (note 21.3) | 4 | 1 |
| Trade receivables, net | 5 923 | 2 683 |

| 14.2 Trade receivables by the period (overdue, but not impaired) | 31.12.2018 | 31.12.2017 |
|---|-------------------|-------------------|
| | €'000 | €'000 |
| less than 60 day | 2 086 | 2 169 |
| 60-90 days | 461 | - |
| 90-120 days | 1 265 | 124 |
| more than 120 days | 2 111 | 390 |
| Total: | 5 923 | 2 683 |

AGROLIGA GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

| 14.3 Doubtful debts allowance | 31.12.2018 | 31.12.2017 |
|--------------------------------------|-------------------|-------------------|
| | €'000 | €'000 |
| Opening balance | (302) | (350) |
| Allowance reversal | 267 | 55 |
| Charge to allowance | (125) | (7) |
| Closing balance | (160) | (302) |

| 14.4 Other receivables | 31.12.2018 | 31.12.2017 |
|--|-------------------|-------------------|
| | €'000 | €'000 |
| Advances made | 3 123 | 2 808 |
| Doubtful debts allowance for advances | (14) | (68) |
| Tax prepayments | 2 079 | 757 |
| Non-interest bearing financial loans issued | 3 555 | 562 |
| Doubtful debts allowance for other receivables | 41 | 7 |
| Other current receivables | - | (9) |
| Other receivables to related parties (note 21.3) | - | 26 |
| Total: | 8 784 | 4 083 |

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

The exposure of the Group to credit risk and impairment losses in relation to trade and other receivables is reported in note 3 of the consolidated financial statements.

15. CASH AND CASH EQUIVALENTS

| | 31.12.2018 | 31.12.2017 |
|--|-------------------|-------------------|
| | €'000 | €'000 |
| Cash at bank in national currency, UAH | 79 | 24 |
| Cash at bank in foreign currency, EUR | 117 | 95 |
| Total: | 196 | 119 |

16. ISSUED CAPITAL AND RESERVES

| 16.1. Issued capital | 31.12.2018 | 31.12.2017 |
|-----------------------------|-------------------|-------------------|
| | €'000 | €'000 |
| Issued capital | (31) | (31) |
| Total: | (31) | (31) |

| | 2018 | 2018 | 2017 | 2017 |
|-------------------------------|-------------------------|--------------|-------------------------|--------------|
| | Number of shares | €'000 | Number of shares | €'000 |
| Authorised | | | | |
| Ordinary shares of €0,2 each | 1,537,800 | 31 | 1,537,800 | 31 |
| Issued and fully paid | | | | |
| Balance at 1 January | 1,537,800 | 31 | 1,537,800 | 31 |
| Balance at 31 December | 1,537,800 | 31 | 1,537,800 | 31 |

AGROLIGA GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

17. BORROWINGS

| 17.1. Borrowings | % rate, % | Currency | 31.12.2018 €'000 | 31.12.2017 €'000 |
|--|-----------|----------|---------------------|---------------------|
| Long-term borrowings | | | 5 103 | 3 673 |
| Ukrainian bank 1 | 6.5% | EUR | 2 036 | 3 522 |
| Ukrainian bank 1 | 5.85% | USD | - | 73 |
| Ukrainian bank 2 | 20.25% | UAH | 31 | 45 |
| Other company 1 | 9.8% | EUR | 3 001 | - |
| Loans from related undertakings (note 21.6) | - | UAH | 35 | 33 |
| Short-term borrowings | | | 4 836 | 3 343 |
| Ukrainian bank 1 | 6% | USD | 110 | 168 |
| Ukrainian bank 1 | 5.85% | USD | 29 | - |
| Ukrainian bank 1 | 6% | EUR | 85 | - |
| Ukrainian bank 1 | 5.5% | EUR | 10 | 580 |
| Ukrainian bank 1 | 15%-17% | UAH | 4 602 | 2 588 |
| Ukrainian bank 3 | 14.9% | UAH | - | 7 |
| Current portion of long-term borrowings | | | 1 697 | 1 018 |
| Ukrainian bank 1 | 6.5% | EUR | 1 697 | 1 018 |
| Total: | | | 11 636 | 8 034 |

18. DEFERRED TAXES

Deferred tax calculated in full on all temporary differences under the liability method using the applicable tax rates (Note 9). The applicable corporation tax rate in the case of tax losses is 12.5% and 18% for the Cyprus and Ukrainian entities respectively.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilised.

Deferred tax assets and liabilities offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

The movement on the deferred taxation account is as follows:

Deferred tax liability

| | Non-current assets €'000 | Prepayments €'000 | Doubtful debts reserves €'000 | Total €'000 |
|---|--------------------------------|----------------------|-------------------------------------|----------------|
| Balance at 31 December 2016 | 10 | - | - | 10 |
| Charged/(credited) to: Statement of profit or loss and other comprehensive income | 24 | - | - | 24 |
| Balance at 31 December 2017 | 34 | - | - | 34 |
| Charged/(credited) to: Statement of profit or loss and other comprehensive income | 164 | - | - | 164 |
| Balance at 31 December 2018 | 198 | - | - | 198 |

AGROLIGA GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

Deferred tax assets

| | Non-current assets €'000 | Advances from clients €'000 | Doubtful debts reserves €'000 | Total €'000 |
|---|--------------------------------|-----------------------------------|-------------------------------------|----------------|
| Balance at 31 December 2016 | - | - | 15 | 15 |
| Charged/(credited) to: Statement of profit or loss and other comprehensive income | - | - | 70 | 70 |
| Balance at 31 December 2017 | - | - | 85 | 85 |
| Charged/(credited) to: Statement of profit or loss and other comprehensive income | - | - | (54) | (54) |
| Balance at 31 December 2018 | - | - | 31 | 31 |
| Deferred tax liabilities/ (assets), net | (198) | - | 31 | (167) |

19. TRADE AND OTHER PAYABLES

| 19.1. Trade and other payables | 31.12.2018 €'000 | 31.12.2017 €'000 |
|---|---------------------|---------------------|
| Trade payables | 3 064 | 2 239 |
| Trade payables from related parties (note 21.5) | 726 | 261 |
| Prepayments from clients | 1 113 | 94 |
| Interest-free financial loans received | 3 275 | 124 |
| Trade payables from related parties (note 21.5) | 106 | 62 |
| Other creditors | 1 710 | 296 |
| Total: | 9 994 | 3 076 |

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

20. OPERATING ENVIRONMENT OF THE GROUP

During 2017, Ukraine underwent a transitional period during which it saw a stabilization of its political environment and implementation of a policy of consistent economic growth. Confirmation of this is the stabilization of the Ukrainian national currency. The unique combination of natural, intellectual, human and production resources in combination with an effective and professional government opens plenty of new opportunities for development for the country in geopolitical scale.

21. RELATED PARTY TRANSACTIONS

The Company is controlled by Mr Oleksandr Berdnyk (owns of 41.66% of Company's shares) and Ms Iryna Poplavskaya (owns of 41.66% of Company's shares).

Below is information on the distribution of shares in the authorized capital:

| Stockholder | Number of shares | Participation in share capital |
|-------------------|------------------|--------------------------------|
| Alexandr Berdnyk | 640,750 | 41,66% |
| Irina Poplavskaya | 640,750 | 41,66% |
| Free float | 256,300 | 16,68% |
| Total: | 1,537,800 | 100,00% |

AGROLIGA GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

The percentage of Company's shares that is floated on the stock exchange is 16.68%. No other shareholder owns more than 5% of Company's shares.

The following transactions were carried out with related parties:

21.1 Sales of goods and services

| Name | Nature of transactions | Year ended | Year ended |
|---------------|------------------------|------------|------------|
| | | 31.12.2018 | 31.12.2017 |
| | | €'000 | €'000 |
| Y.Poplavskiy | Trade | 9 | - |
| L.Kazanina | Trade | - | 1 |
| Total: | | 9 | 1 |

Sales to the related parties made on commercial terms and conditions.

21.2 Purchases of goods and services

| Name | Nature of transactions | Year ended | Year ended |
|---------------|------------------------|------------|------------|
| | | 31.12.2018 | 31.12.2017 |
| | | €'000 | €'000 |
| M.Yakovleva | Trade | 206 | 57 |
| O.Berdnyk | Trade | - | 43 |
| I.Poplavskaya | Trade | - | 58 |
| L.Kazanina | Trade | - | 37 |
| S.Berdnyk | Trade | - | 27 |
| Palatovska | Trade | - | 24 |
| M.Tamaryan | Trade | - | 5 |
| Y.Poplavskiy | Trade | - | 2 |
| Total: | | 206 | 253 |

Purchases from related parties made on commercial terms and conditions.

21.3 Receivables from related parties (notes 14.1 and 14.4)

| Name | Nature of transactions | 31.12.2018 | 31.12.2017 |
|---------------|------------------------|------------|------------|
| | | €'000 | €'000 |
| I.Poplavskaya | Other | 3 | 2 |
| Y.Poplavskiy | Trade | 4 | - |
| M.Tamaryan | Other | 8 | 1 |
| L.Kazanina | Other | - | 2 |
| Palatovska | Other | 6 | 20 |
| O.Berdnyk | Other | - | 2 |
| Total: | | 21 | 27 |

21.4 Loans to shareholders (note 12.1)

| | 31.12.2018 | 31.12.2017 |
|----------------------|------------|------------|
| | €'000 | €'000 |
| Loan to shareholders | 367 | 348 |
| Total: | 367 | 348 |

The loan to shareholders provided interest free, and there was no specified repayment date.

AGROLIGA GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

21.5 Payables to related parties (note 19.1)

| Name | Nature of transactions | 31.12.2018 | 31.12.2017 |
|---------------|------------------------|------------|------------|
| | | €'000 | €'000 |
| I.Poplavskaya | Trade | 183 | 139 |
| O.Berdnyk | Trade | 5 | - |
| Palatovska | Trade | 78 | - |
| L.Kazanina | Trade | - | 4 |
| Y.Poplavskiy | Trade | 1 | 2 |
| Tamaryan | Trade | 223 | 8 |
| Yakovleva | Trade | 236 | 108 |
| S.Berdnyk | Other | 65 | 62 |
| O.Berdnyk | Other | 5 | - |
| I.Poplavskaya | Other | 36 | - |
| Total: | | 832 | 323 |

21.6 Loans from related undertakings (note 17.1)

| | 31.12.2018 | 31.12.2017 |
|----------------------------|------------|------------|
| | €'000 | €'000 |
| Loans from related parties | 35 | 33 |
| Total: | 35 | 33 |

The loan from related parties was provided interest free, and has no specified repayment date.

22. CONTINGENT LIABILITIES

The tax treatment of the Group's overseas operations may be different to the treatment adopted by the relevant tax authorities. This may expose the Group to the risk of tax fines and penalties, their amount of which may be significant. No provision has been made in these financial statements in respect of this matter.

23. COMMITMENTS

The Group had no capital or other commitments as at 31 December 2018.

24. GOING CONCERN

For the year ended 31 December 2018, the Group's profit amounted to EUR 5,751 thousand. Thus, as at 31 December 2018, current assets of the Group exceeded its current liabilities by EUR 9,287 thousand. Despite the positive indicators in 2018, the Group could be impacted by the factors and risks that will make doubtful the possibility of the Group to continue in the future on a going concern basis.

The main negative factor influencing the financial performance of the Group is the devaluation process in Ukraine, which is the main economic environment of the Group. The decrease of Ukrainian hryvnia exchange rate to foreign currencies forced the Management to recognize the adverse exchange rate differences raised from the revaluation of financial liabilities of the Group. The agricultural sector, in which the Group operates, is prone to loss due to the growth of prices of agricultural raw materials and fuel for agricultural machinery. Conditions and risks existing at the macroeconomic level in the Group's environment can cause repeated losses in the future and make doubtful the possibility of the Group to continue as a going concern.

The Group applies a strategy to minimize the impact of these conditions and risks. Attracting of foreign investment, the expansion of the distribution market and the use of elite breeds of animals and seed crops, in the opinion of Management, are measures that will help in overcoming the financial crisis in Ukraine.

Management of the Group believes that has all factors for provision the going concern in the future. The going concern basis is appropriate for preparation of the financial statements in the absence of significant uncertainties that are beyond the control of the Group and could make doubtful the possibility of the Group to continue as a going concern.

AGROLIGA GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

25. EVENTS AFTER THE REPORTING PERIOD

Agroliga Group combines a number of dynamically developing medium-sized companies, which operate in the agricultural sector of Ukraine. This Group of Companies cultivates 10 thousand hectares of land in the East of Ukraine, in Kharkiv and Dvurechansky District of Kharkiv Region. The main products of the Group of Companies: sunflower, sunflower oil, wheat and barley grain, corn, rape, buckwheat, and milk.

The company plans to begin implement a «Green project» and build a thermal power plant. The implementation of the green project will allow the Group to produce and sell electricity under a "green tariff".

The group will use one of the most common technologies for the combustion of husk (husk) sunflower, which was previously considered waste. For this, the Group plans to purchase and install two steam boiler units, a steam generation capacity of 16 tons / hour each and one condensing steam turbo generator with an electric capacity of 7 MW. This decision will create all the conditions for entering non-waste production.

There were no other events after the reporting period which have a bearing on the understanding of the consolidated financial statements.

26. AUDITOR'S FEES

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

| Auditor's fees | 2018 | 2017 |
|-----------------------------|--------------|--------------|
| | €'000 | €'000 |
| Kreston GCG Audit LLC | 10 | 8 |
| Kreston Proios Ltd | 11 | - |
| Euroglobal S.E.E. Audit Ltd | - | 4 |
| Other | - | - |
| Total: | 21 | 12 |

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

27. PERSONNEL AND STAFF COSTS

27.1 Headcount

The table below depicts the Agroliga Group's average total headcount, measured in terms of full time equivalents, in 2018 and 2017.

| 27.1 Headcount | 2018 | 2017 |
|-----------------------------|--------------|--------------|
| | €'000 | €'000 |
| PLC "Agroliga Group" | 2 | 2 |
| LLC "Agroliga Group" | 3 | 4 |
| LLC "Agroliga" | 34 | 43 |
| LLC "Vostokagrokontrakt" | 17 | 16 |
| LLC "Agrocom Nova Vodolaga" | 162 | 133 |
| PE "Liga A" | 8 | 8 |
| PE "Mechnikovo" | 51 | 55 |
| LLC "Mayak" | 35 | 26 |
| LLC "Agroliga Polska" | 2 | 2 |
| LLC "AGL Energy" | 4 | - |
| LLC "Agroliga-Trade" | 4 | - |
| Total: | 322 | 289 |

AGROLIGA GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

27.2 Staff costs

In 2018 and 2017, the Group bore the costs of remuneration to employees in accordance with the rules of the current labour legislation of jurisdictions in which the group carries out its activities.

The table below depicts the Agroliga Group's total payments of employee benefits by categories, in 2018 and 2017.

| 27.1 Staff costs | Year ended 31.12.2018 | Year ended 31.12.2017 |
|-------------------------|----------------------------------|----------------------------------|
| | €'000 | €'000 |
| Wages and salaries | 703 | 263 |
| Social security costs | 35 | 12 |
| Pension costs | 106 | 75 |
| Total: | 844 | 350 |

The Group does not undertake any additional health or pension obligation for employees.

The consolidated financial statements are available at:

<https://newconnect.pl/companies-card?isin=CY0101452114#reportsTab2>

<http://agroliga.com.ua/>