



# **ANNUAL | 20 REPORT | 16**

**AGROLIGA**  
GROUP

Agroliga Group PLC





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# Who we are

Agroliga Group combines a number of dynamically developing medium-sized companies, which operate in the agricultural sector of Ukraine. This Group of Companies cultivates 9,500 ha 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.

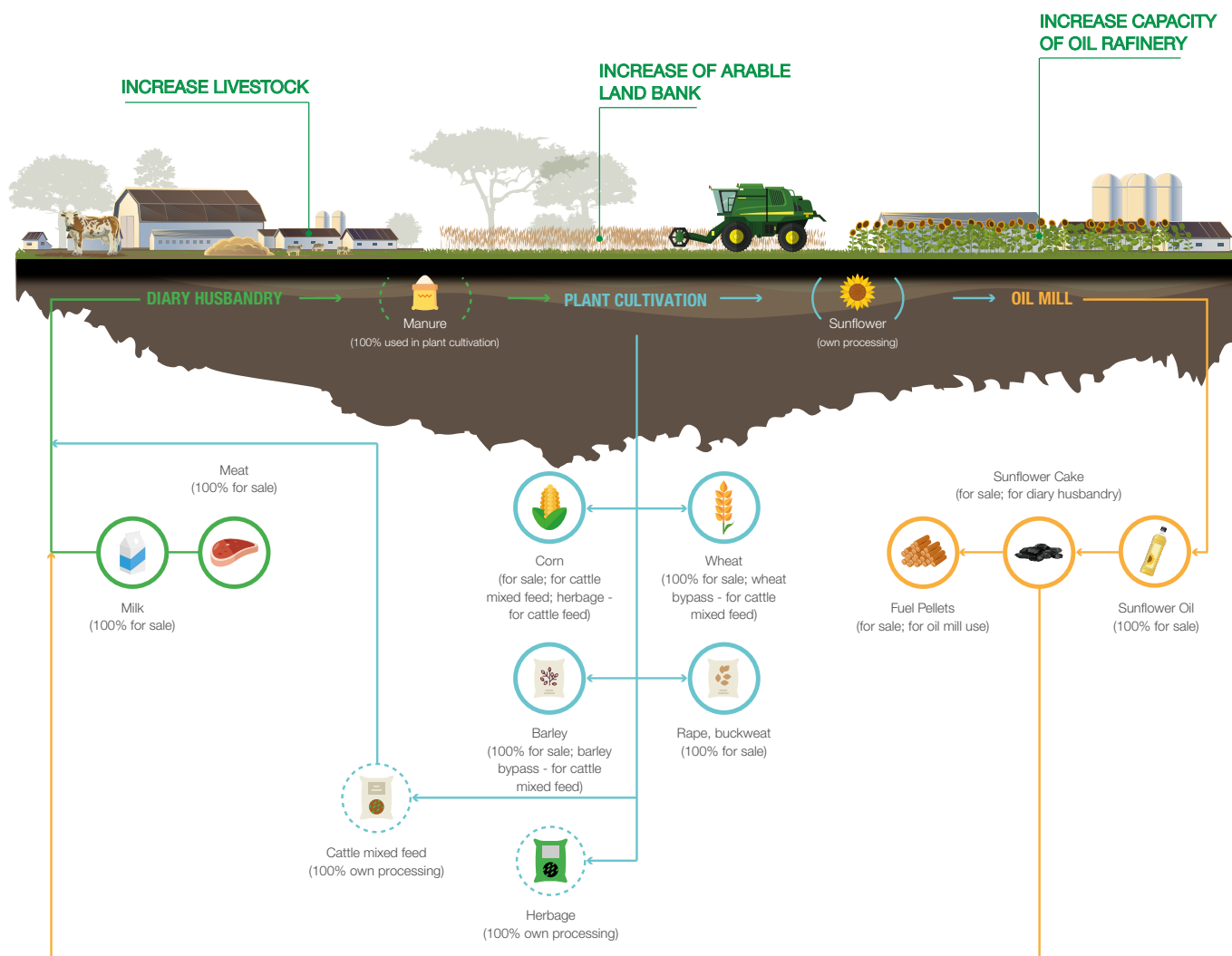
Agroliga Group combines a number of dynamically developing medium-sized companies, which operate in the agricultural sector of Ukraine. This Group of Companies cultivates 9,500 ha of land in the East of Ukraine, in Dvurechansky District of Kharkov Region. Agriculture in Kharkov Region is traditionally specialized in production of grain, sugar beet, sunflower, meat, milk, vegetables, and fruit, which determined areas of activity of Agroliga Group, among which at the moment we can indicate the following:

- cultivation of a wide variety of grain crops;
- processing of sunflower seeds into oil;
- dairy husbandry.

One more area of activity of Agroliga Group is providing of grain elevator and certified grain centre services. Diversification of activity allows to react quickly and flexibly to the market needs, and decrease price risks to the minimum level.

The main products of the Group of Companies: sunflower, sunflower oil, wheat and barley grain, corn, rape, buckwheat, and milk. Sales are carried out in large and medium bulk.

Among clients of agricultural enterprises there are both large grain traders orientated at foreign markets, and medium processing enterprises working for local consumers.





# History



1992

Agroliga Group started business activity

The Company has been operating in the Ukrainian agricultural produce market since 1992, it started with sunflower seed processing at Prikolotnyansky and Volchansky oil-extracting factories. Such activity quickly gained speed. The enterprise's production was sold to a wide circle of clients both in Ukraine and abroad. During eight years, the Group of Companies successfully provided a foothold in the processing market. It approached the problem of necessity of its own raw materials.

In 2009 Agroliga Group completed assembly of an oil mill. Being an experienced primary producer, the agricultural complex also added an important function of a processor. In 2010 the Group of Companies finished restructuring, and become a completed holding.

2011

Agroliga Group entered New Connect Market (WSE)

Thus in 2001 the first agricultural enterprise was established in Kamenka Village, Dvurechansky District, in which Agroliga Group was cultivating 1,060 ha of land.

In 2011 Agroliga Group enters New Connect market of Warsaw stock exchange. This year began reconstruction of oil refinery in order to significant increase it's capacity. As well, in 2011 one more agricultural company was joined to the Group, and land bank increased to 7,500 ha.

2016

Started modernization of the oil presses and the reconstruction of production facilities

In 2002 the planted area increased and achieved 2,760 ha. During two years, the machines park was renewed by 95 %, and the buildings were renovated.

In 2012 the Group started renewed refinery, and completed first stage of development. Revenue of Agroliga Group for 2012 reached 15,000,000 EUR, increasing 4 times in 3 years.

In 2004 a warehouse complex was purchased in Novaya Vodolaga, where a new elevator was built with yearly storage capacity of 20,000 tons.

In 2013 Agroliga Group approved new strategy - from crude oil to refined one, and registered own trademark for retail trade.

In 2007 the second agricultural enterprise was established in Mechnikovo Village, Dvurechansky District, which increased land under cultivation by 2,770 ha. The total area of land under cultivation now is 5,510 ha.

In 2014 Agroliga Group expanded land bank for 620 ha. This year revenue was more than 16,000,000 EUR. Main achievement for this uneasy year was to keep company's production and development.

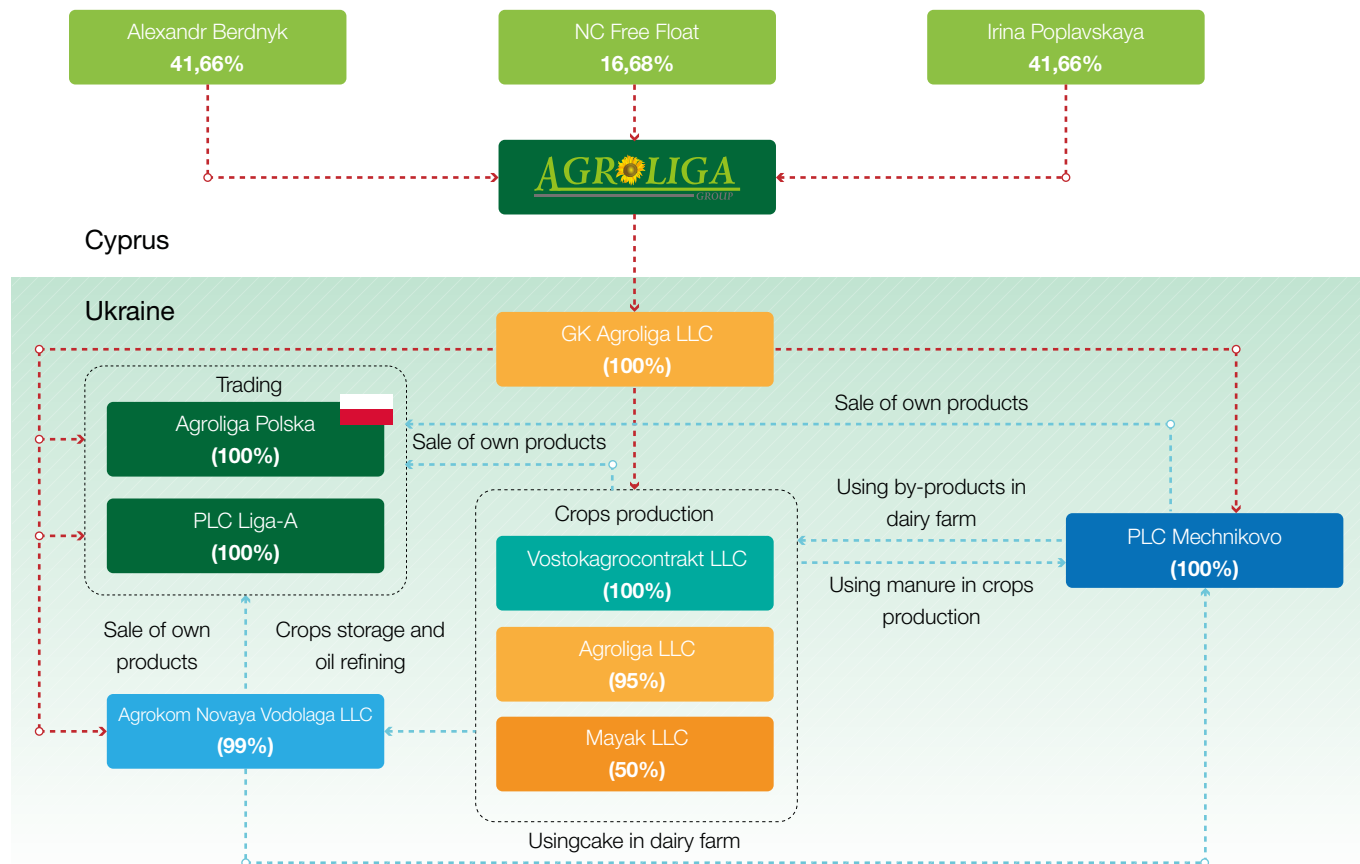
In 2008 a dairy farm was established, the flock of which now exceeds 500 heads.

In 2015 Agroliga Group expanded land bank by 1,800 ha. Also this year company started retail sales of own dairy products.

In 2016 a comprehensive modernization of the oil presses and the reconstruction of production facilities were carried out and the basic requirements of this standard were fulfilled. The result of the work was the successful completion of the certification audit, which confirmed the compliance of the management system with the ISO 22000:2005 standard, and also appreciated the high efficiency of the production process.



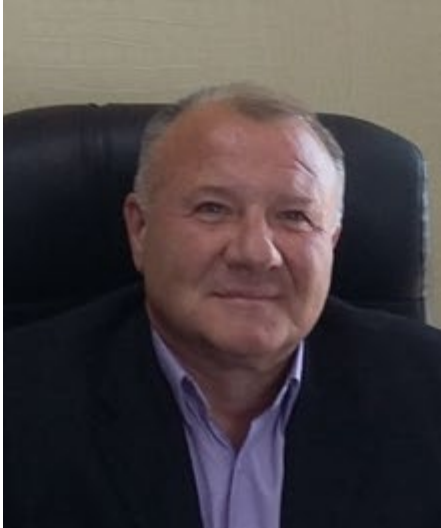
# Structure of Agroliga Group



There are such companies in the Group

- 1. Agroliga LLC** – agricultural enterprise which is situated in Kamenka village, Dvurechanskiy district, Kharkov region. The core business is manufacturing of agricultural products. The area of cultivated land is 2,860 ha.
- 2. PLC Mechnikovo** – agricultural enterprise which is situated in Novoyegorovka village, Dvurechanskiy district, Kharkov region. The core business is manufacturing of agricultural, dairy and meat products. The area of cultivated land is 2,906 ha.
- 3. Vostokagrocontract LLC** – agricultural enterprise which is situated in Nikolayevka village, Dvurechanskiy district, Kharkov region. The core business is manufacturing of agricultural products. The area of cultivated land is 1,553 ha.
- 4. Mayak LLC** – agricultural enterprise which is situated in Beryozovka village, Kharkov district, Kharkov region. The core business is manufacturing of agricultural products. The area of cultivated land is 1,828 ha.
- 5. Agrokom Novaya Vodolaga LLC** – this enterprise is situated in urban-type settlement Novaya Vodolaga, Novovodolazhskiy district, Kharkov region. The core business is manufacturing of sunflower oil and storing of agricultural products.
- 6. PLC Liga-A** – this enterprise is situated in Kharkov. The company fulfilled a function of trading house and realized agricultural products.
- 7. Agroliga Group of Companies PLC** – this enterprise is situated in Kharkov, it is a holding company.
- 8. Agroliga Polska** – trading company with registration in Poland.
- 9. Agroliga Group PLC** – resident company of Cyprus, it is a holding company.

# The letter of the Board of Directors



**Alexander Berdnyk**

Chairman of the Board of Directors  
of Agroliga Group PLC



Dear colleagues, partners, investors,

Yearly settlement is both a difficult and pleasant task. It is not simple to emphasize the most valuable events among a lot of them. I boast when I emphasize them and look back at the past and estimate the size of done job.

And we have what to be proud about. Despite the fact that 2016 was not easy in many cases, we successfully implemented a great project, specifically in construction start of oil extraction plant. Financial partner in this project is Raiffeisen Bank Aval following the results of the realized tender project, and among equipment suppliers for new factory we decided on TAN Company, which combines European standards for Ukrainian prices.

Agroliga Group also started manufacturing of sunflower oil in 2016 and discovered new commodity markets, as Israel, African countries, India, West Europe. Manufactured production get full marks among consumers and it is realized both under own trademark AGROLIGA and under Private Label.

It should be marked that we achieved good financial measures thanks largely to the wonderful weather conditions of 2015-2016 marketing years. For example, warm and snowy winter gave us an ability to gather the harvest of winter barley and wheat.

We pay special attention to staff development in our company. Our staff upgrades its skills from one year to the next by means of adopting experience from foreign agrarians, and 2016 is not an exception. Key professionals of Agroliga Group have been interning for three weeks in Penn State College in Pennsylvania under the project financed by USDA. They studied their contemporary technologies of tillage and precision agriculture.

I am certain that secrets of Agroliga Group success are in sequence of forthcoming drafts realization. Clear tasks, experience, systematization and high qualification have been reflected in our working results in 2016.

Agroliga Group is entering 2017 with new plans, tasks and the main – with assurance in our stability.

**Yours respectfully,  
Alexander Berdnyk**

Chairman of the Board of Directors  
of Agroliga Group PLC



# Our strategy

## Strategic project of Agroliga Group for 2016-2019

Long-term aim: the main task of Agroliga Group development for 2016-2019 is strong growth of Group capitalization.

\*The main idea of development is creation of vertically-aligned holding company in production of agricultural products for the purpose of get into group of leading manufacturers in Kharkov Region, which is the third in population size in Ukraine (about 3 millions of population).

### Three directions of the strategy delivering:

#### Oil production plant



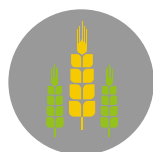
Aim: to develop own power supply of oil-processing, by switching on another technology – oil extraction.

\*This means that one more stage of oil clarification is added, which allows of oil expression process simpler on the first stage and greatly increasing the capacity of existed lines.

Tasks:

1. Starting of extraction lines with simultaneous, three-stage increasing of refinery capacity from 35,000 to 100,000 tons / per year.
2. Add equipment to existed lines to additional clarification and widen existed power capacity of storage on 10,000 tons as a minimum.
3. Installation and starting of contemporary oil-extraction factory in September, 2017.
4. To achieve refinery capacity in 70,000 tons per year till 2018, now it is 55,000 tons.
5. To process 100,000 tons of sunflowers per year till 2019.
6. To implement a technology of refinery and desodorization refining, and also oil delivery in consumer packaging in 2019.

#### Grain growing



Aim: increase export of plant growing products, and also to increase a rate of own raw material of sunflowers which are used in oil production.

\* This allows increasing financial results of group due to decrease of cost value of manufactured products and to increase foreign currency component in structure of earnings.

Tasks:

1. To widen company's land-bank to 15,000 ha till 2019.
2. To increase usage efficiency of purchased lands till the level of other lands of Agroliga.
3. To implement new technology of humidity regulation by usage of special pellets which absorb excess of humidity during raining seasons and use it during drought seasons.
4. To start manufacturing of own organic fertilizer, which will particularly replace commercial fertilizer.

#### Entry into main ground of WSE



Aim: Taking into consideration gradual improvement of investment environment in Ukraine and also dynamic widening of manufacturing facilities of group with steady growth of financial measures in plans of management is entry into main ground of WSE till 2019.



Summary of progress Agroliga Group PLC in implementing its development strategy

Increase of arable land bank up to 12,300 ha

# AGRICULTURE

During 2013-2015 Agroliga Group has been expanding land bank by acquiring two agricultural companies in Kharkov region. So now Agroliga's management can use its experience in successful agricultural production to make new plots of the land as profitable as present.

Implementation.

In **2015** land area was expanded for  
**1800 ha**



# Report on the Group's activities

## Information on current and expected financial situation of the Issuer

In the 2016 Agroliga Group PLC reached 21,582,000 EUR revenues. Compared to the previous year it increased to 3%. Increase of the revenue is connected with the expanding of oil refining factory work and currency changes during the year. Net profit in 2016 is calculated as 3,667,000 EUR, and 14% up to 2015.

EBITDA increased by 15% and amounted to 3,679,000 EUR compared to 3,188,000 EUR in 2015.

Chart 4 Company's financial results achieved in 2016 together with comparative data

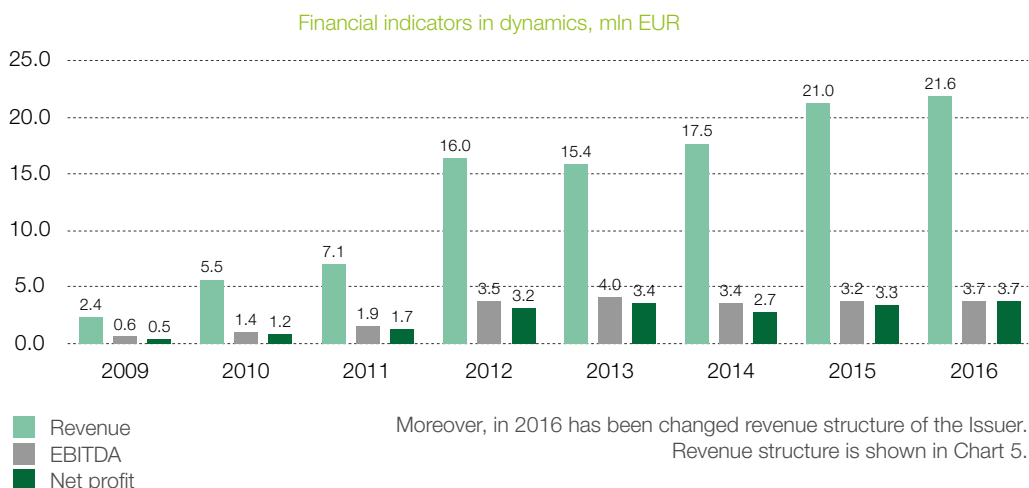
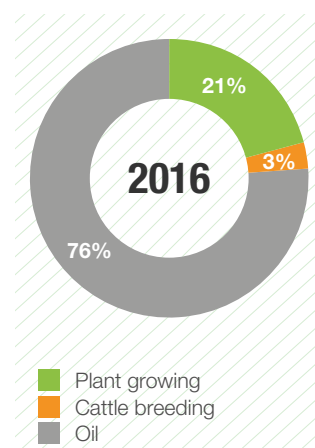


Chart 5 Revenue structure in 2016 of Agroliga Group PLC



Source: the Issuer

## Purchase of own shares

In 2015, the Company did not purchase its own shares.

## The branches office owned by the Issuer

Except our agricultural divisions and oil refinery in Kharkov district, there are no branches offices.

## Information on financial instruments and associated risk

### Price instability and increased competition between sunflower processors

Despite the unstable economic and political situation in the country, the fat-and-oil industry continues actively developing, and increases its production capacities, and export volumes of major oilseeds. At the same time, further tightening of competition rates on the domestic market has a corresponding impact on the price situation and contributes to expansion of the planted areas, especially for sunflower seed. But there will be no significant increase of the planted areas under sunflower in several nearest years, due failures with crop rotation observance.

As for the price dynamics, the Ukrainian export market of sunflower oil was still affected by the situation on the global market of vegetable oils and petroleum products. The domestic market of sunflower oil demonstrated high volatility of prices, because the price dynamics was mainly determined by the situation on the export market. Trade activity rates were assessed as high, due to reasonable prices and increased export demand.

## The investment risk on the emerging markets

Investments on the emerging markets, that includes Ukraine, are associated with increased political, economic and legal risk in comparison to the developed markets. Moreover, the situation on emerging markets may change at a much greater rate than on developed ones. In addition, any tendency that negatively impacts the price of financial instruments may push the investors to withdraw the capital and move it to a more stable, developed markets. Ongoing financial problems that have lasted since 2008, caused by economic slowdown and increasing risk associated with investing in emerging economies, had a negative input on the economy of Ukraine because of decreasing the inflow of foreign capital.

## Sensitivity of the Ukrainian economy to fluctuations of the global economy

The Ukrainian economy is vulnerable to a slump on the global markets and the negative fluctuations to the global economy. Furthermore, because of the great contribution of Ukraine in the world production and exports system of agricultural products and metals, the economy is vulnerable to fluctuations concerning the prices of these products on the global markets. Inability to smoothly adjust to changing conditions of the market concerning these products may adversely affect the economic situation in Ukraine as well as the financial results of the Group.

Increase capacity of oil refinery with oil extraction technology usage.

# REFINERY

Agroliga Group plans to increase oil refinery capacity by switching to different technology - oil extraction. In 2015 Agroliga Group increased the sunflower seeds annual capacity from 55,000 tons up to 70,000 tons. In 2017 Agroliga Group is going to increase the sunflower seeds annual capacity up to 100,000 tons.

Implementation.

In 2015 was started first sample sales of bottled refined oil, third-party refined.




In **2016** Agroliga Group started own refining



# Main Achievements

Summary of progress Agroliga Group PLC in implementing its development strategy

Main points of the strategic plan of company development to 2013-2015 were announced in statement published in June, 2014.

| Area   | Plan  | Description   | Implementation   |
|--|---|---|--|
| <br>Refinery      | Increase capacity of oil refinery with oil extraction technology usage. | Agroliga Group plans to increase oil refinery capacity by switching to different technology - oil extraction. It means additional stage of oil refining, which allows improving technology process of oil crushing at first stage and significantly increase output of whole process. Until 2015 years Agroliga Group is planning to increase the sunflower seeds annual capacity from present 55,000 tons up to 70,000 tons and until 2017 - up to 100,000 tons accordingly. To provide necessary increasing Group should order equipment for the 2-d seage of refining, install it at the end of refinery production lines, setup new production process, and also extend its stores for additional raw materials, at least for 10,000 tons.  | In 2015 was started first sample sales of bottled refined oil, third-party refined. In 2016 Agroliga Group started own refining. |
| <br>Agriculture | Increase of arable land bank up to 12,300 ha.                           | During 2013-2015 Agroliga Group has been expanding land bank by acquiring two agricultural companies in Kharkov region. Preliminary negotiations have finished, and deal require only funding for the last step. Then Agroliga's management will use its experience in successful agricultural production to make new plots of the land as profitable as exists. Group has enough skilled specialists, but requires also some funding for new agricultural equipment. For existing fields Agroliga plans to introduce new technology of humidity regulation (special granulate that absorbs surplus of water for dry periods). Moreover, according to Additional development program to 2013-2015 Agroliga intends to produce organic fertilizer with the aid of our dairy farm, with gradually substitution chemical fertilizers by own produced organic one. At the first step, this program will start with several fields to analyze deeply this possibility. | In 2015 land area was expanded for 1,800 ha.   |
| <br>Milk        | Increase milk yields to 7,000 kg from a cow per year                    | During 2016 – 2018 years farm will continue work with feeds and herd structure, in order to reach 7,000 kg of milk from a cow per year (now 6,200). Additional target for development of dairy - start production of dry milk and soft cheese, at the first stage with the help of outer subcontractor.   | First sales from own dairy retail, with the help of third-part subcontractor produced dairy products.                            |

# Selected financial results

## Profit and loss summary

List 1 Selected financial data of the profit and loss account of Agrogroup from 1.01.2016 to 31.12.2016 with comparative data for 2015

| Selected Financial Results              | EUR ('000)<br>Period from<br>1.01.2016 to 31.12.2016 | EUR ('000)<br>Period from<br>1.01.2015 to 31.12.2015 |
|---|--|--|
|   |  |  |
| Revenues from the sales                 | 21582  | 21030  |
| Profit / loss on sale                   | 4526   | 3583   |
| Profit / loss from operating activities | 3882   | 3327   |
| Profit / loss Gross                     | 3679   | 3188   |
| Profit / loss net                       | 3779   | 3282   |
| Depreciation                            | 188  | 163  |

## Consolidated balance sheet

List 2 Selected financial data of the balance sheet of Agrogroup from 1.01.2016 to 31.12.2016 with comparative data for 2015

| Selected financial data<br>from balance sheet | EUR ('000)<br>Period from<br>1.01.2016 to 31.12.2016 | EUR ('000)<br>Period from<br>1.01.2015 to 31.12.2015 |
|---|--|--|
|   |  |  |
| Tangible fixed assets                         | 4303   | 4426   |
| Long-term receivables                         | 698  | 473  |
| Current assets                                | 13876  | 866  |
| Short-term receivables                        | 5559   | 853  |
| Cash and cash equivalents                     | 612  | 890  |
| Equity  | 12801  | 11441  |
| Long-term liabilities                         | 188  | 205  |
| Short-term liabilities                        | 3390   | 1396   |



# Board of directors and other officers

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|                              |  |
|------------------------------|--|
| <b>Board of Directors:</b>   | Oleksandr Berdnyk<br>Bizserve Investments Limited<br>Bizserve Management Limited |
| <b>Company Secretary:</b>    | Bizserve Secretarial Services Limited  |
| <b>Independent Auditors:</b> | Euroglobal S.E.E. Audit Limited<br>Chytron 5<br>1075 Nicosia<br>Cyprus           |
| <b>Registered office:</b>    | 11 Boumpoulinas Street<br>1st floor<br>1060 Nicosia, Cyprus                      |
| <b>Bankers:</b>              | Credit Agricole Bank Polska S.A.<br>Versobank AS                                 |
| <b>Registration number:</b>  | HE269325   |

# 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 2016.

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## 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 are considered satisfactory. Additional details that relate to the operating environment of the Group as well as other risks and uncertainties are described in notes 3 and 21 of the consolidated financial statements.

## Results

The Group's results for the year are set out on page 7.

## Dividends

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

## 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 2016 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 2016. 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.

## Events after the reporting period

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

## Independent Auditors

The Independent Auditors, Euroglobal S.E.E. Audit 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, 25 May 2017

# Consolidated statement of profit or loss and other comprehensive income

year ended 31 December 2016

|   | Note | 2016<br>€'000 | 2015<br>€'000 |
|---|------|---------------|---------------|
| Revenue   | 5    | 21.342        | 20.631        |
| Cost of sales   | 8    | (17.056)      | (17.447)      |
| Income from change in fair value of biological assets and agricultural products | 5    | 240           | 399           |
| Gross profit (loss)   |      | <b>4. 571</b> | 3.583         |
| Income from government grants   | 6    | 159           | 898           |
| Administrative expenses   | 8    | (480)         | (357)         |
| Distribution expenses   | 8    | (380)         | (532)         |
| Other operating income/(expenses), net  | 7    | 11            | (265)         |
| Financial income/(expenses), net  | 9    | (128)         | (360)         |
| Exchange rate differences, net  |      | (75)          | 221           |
| Profit (loss) before tax  |      | <b>3.678</b>  | 3.188         |
| Income tax benefit/expense  | 10   | 100           | 94            |
| Profit (loss) for the year  |      | <b>3.778</b>  | 3.282         |
| Other comprehensive income  |      |               |               |
| Exchange differences on translation of foreign operations                       |      | (2.810)       | (1.690)       |
| Total comprehensive income for the year   |      | <b>968</b>    | 1.592         |
| Net profit for the year/period attributable to:                                 |      |               |               |
| Equity holders of the parent  |      | 3.683         | 3.223         |
| Non-controlling interests   |      | 95            | 59            |
| Net profit for the year/period  |      | <b>3.778</b>  | 3.282         |
| Total comprehensive income attributable to:                                     |      |               |               |
| Equity holders of the parent  |      | 1.873         | 1.533         |
| Non-controlling interests   |      | 95            | 59            |
| Total comprehensive income  |      | <b>1. 968</b> | 1.592         |

Oleksandr Berdnyk  
Director

Bizserve Investments Limited  
Director

Bizserve Management Limited  
Director



# Consolidated statement of financial position

31 December 2016

|   | Note | 2016<br>€'000  | 2015<br>€'000 |
|---|------|----------------|---------------|
| <b>ASSETS</b>                                       |      |                |               |
| Non-current assets                                  |      |                |               |
| Property, plant and equipment                       | 11   | 3,493          | 3,575         |
| Biological assets                                   | 12   | 97             | 152           |
| Noncurrent loans receivable                         | 13   | 718            | 473           |
| Deferred tax assets                                 | 19   | 15             | 226           |
| Total non-current assets                            |      | <b>4,323</b>   | 4,426         |
| Current assets                                      |      |                |               |
| Inventories and work in progress                    | 14   | 7,105          | 4,192         |
| Biological assets                                   | 12   | 600            | 681           |
| Trade and other receivables                         | 15   | 5,551          | 2,853         |
| Cash at bank  | 16   | 636            | 890           |
| Total current assets                                |      | <b>13,892</b>  | 8,616         |
| Total assets  |      | <b>18, 215</b> | 13,042        |
| <b>EQUITY AND LIABILITIES</b>                       |      |                |               |
| Equity and reserves                                 |      |                |               |
| Share capital                                       | 17   | 31             | 31            |
| Share premium                                       |      | 953            | 953           |
| Translation reserve                                 |      | (10,283)       | (7,473)       |
| Retained earnings                                   |      | 21,324         | 17,641        |
| Equity attributable to equity holders of the parent |      | <b>12,025</b>  | 11,152        |
| Non controlling interests                           |      | 384            | 289           |
| Total equity  |      | <b>12,409</b>  | 11,441        |
| Non-current liabilities                             |      |                |               |
| Borrowings  | 18   | 1,978          | 43            |
| Deferred tax liabilities                            | 19   | 10             | 162           |
| Total non-current liabilities                       |      | <b>1,988</b>   | 205           |
| Current liabilities                                 |      |                |               |
| Trade and other payables                            | 20   | 2,657          | 579           |
| Borrowings  | 18   | 1,136          | 750           |
| Current tax liabilities                             |      | 25             | 67            |
| Total current liabilities                           |      | <b>3,818</b>   | 1,396         |
| TOTAL EQUITY AND LIABILITIES                        |      | <b>18,215</b>  | 13,042        |

**Oleksandr Berdnyk**  
Director

**Bizserve Investments Limited**  
Director

**Bizserve Management Limited**  
Director

# Consolidated statement of changes in equity

year ended 31 December 2016

|  | Attributable to equity holders of the Company |                           |                                 |                               |   | Total<br>€'000 |
|--|---|---------------------------|---------------------------------|-------------------------------|---|----------------|
|  | Share<br>capital<br>€'000                     | Share<br>premium<br>€'000 | Translation<br>reserve<br>€'000 | Retained<br>earnings<br>€'000 | Non-<br>controlling<br>interests<br>€'000 |                |
| Balance at 1 January 2015  | 51  | 953                       | (5.783)                         | 14.418                        | 230                                       | 9.869          |
| Comprehensive income   |   |                           |                                 |                               |   |                |
| Net profit for the year  | -   | -                         | -                               | 3.223                         | 59  | 3.282          |
| Elimination from share capital due to<br>change of status of Vostokagrocontract<br>from combined to consolidated | (20)  | -                         | -                               | -                             | -   | (20)           |
| Exchange difference on the translation<br>and consolidation of foreign<br>companies' financial statements        | -   | -                         | (1.690)                         | -                             | -   | (1.690)        |
| Balance at 31 December 2015/1<br>January 2016  | 31  | 953                       | (7.473)                         | 17.641                        | 289                                       | 11.441         |
| Comprehensive income   |   |                           |                                 |                               |   |                |
| Net profit for the year  | -   | -                         | -                               | 3.683                         | 95  | 3.778          |
| Exchange difference on the translation<br>and consolidation of foreign companies'<br>financial statements        | -   | -                         | (2.810)                         | -                             | -   | (2.810)        |
| Balance at 31 December 2016  | 31  | 953                       | (10.283)                        | 21.324                        | 384                                       | 12.409         |

Share premium is not available for distribution

**Oleksandr Berdnyk**  
Director

**Bizserve Investments Limited**  
Director

**Bizserve Management Limited**  
Director

# Consolidated statement of cash flows

year ended 31 December 2016

|  | 2016<br>€'000 | 2015<br>€'000 |
|--|---------------|---------------|
| Cash flows from operating activities   |               |               |
| Profit before tax  | 3,678         | 3,188         |
| Adjustments for:   |               |               |
| Depreciation of property, plant and equipment  | 188           | 163           |
| Exchange difference arising on the translation of assets & liabilities in foreign currencies | 2,049         | (1,178)       |
| Interest income  | (64)          | (277)         |
| Interest expense   | 192           | 336           |
| Cash flows from operations before working capital changes                                    | 6,043         | 2,232         |
| Decrease/(increase) in inventories and work in progress                                      | (2,913)       | 370           |
| Decrease/(increase) in trade and other receivables   | (2,698)       | 1,282         |
| Decrease/(increase) (increase) in biological assets  | 136           | (170)         |
| Increase/(decrease) in trade and other payables  | 2,078         | (985)         |
| Cash flows from operations   | 2,646         | 2,729         |
| Tax (paid)/refunded  | 9             | 106           |
| Net cash flows from operating activities   | 2,655         | 2,835         |
| Cash flows from investing activities   |               |               |
| Payment for purchase of property, plant and equipment  | (1,010)       | (1,953)       |
| Loans granted  | (146)         | (60)          |
| Net proceeds from disposal of property, plant and equipment                                  | 657           | 210           |
| Interest received  | 18            | 277           |
| Net cash (loss) generated by investing activities  | (481)         | (1,526)       |
| Cash flows from financing activities   |               |               |
| Proceeds from borrowings   | 3,732         | -             |
| Repayment of borrowings  | (5,998)       | (548)         |
| Interest paid  | (162)         | (375)         |
| Net cash (loss) generated by financing activities  | (2,428)       | (923)         |
| Net increase (decrease) in cash  | (254)         | 385           |
| Cash at the beginning of the year  | 890           | 505           |
| Cash at the end of the year  | 636           | 890           |

**Oleksandr Berdnyk**  
Director

**Bizserve Investments Limited**  
Director

**Bizserve Management Limited**  
Director



# Notes to the consolidated financial statements

year ended 31 December 2016

## 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»

## 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.

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 new and revised IFRSs

During the current year the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning 1 January 2016.

The Company has not adopted the following IFRS and Interpretations of IFRS Interpretations Committee published but not yet effective:

- IFRS 9 Financial Instruments – In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for the financial instruments project: classification and measurement; impairment; and hedge accounting.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group plans to adopt the new standard on the required effective date. During 2016, the Group has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on

currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9. The Group expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent. The Group plans to adopt the new standard on the required effective date.

### Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Group expects that these will continue to be measured at amortised cost under IFRS 9. However, the Group will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

### Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group expects a significant impact on its equity due to the unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

### Hedge accounting

The Group believes that all existing hedge relationships that are currently designated in effective hedging relationships will still qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, the Group does not expect a significant impact as a result of applying IFRS 9. The Group will assess possible changes related to the accounting for the time value of options, forward points or the currency basis spread in more detail in the future.

- IFRS 15 Revenue from Contracts with Customers – IFRS 15 was issued in May 2014 and establishes a five-step model to account

# Notes to the consolidated financial statements

year ended 31 December 2016

for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2016, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments.

- IAS 7 Disclosure Initiative – Amendments to IAS 7. The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of the amendments will result in additional disclosures provided by the Group.
- IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in the opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Group.
- IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2.

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is assessing the potential effect of the amendments on its consolidated financial statements.

IFRS 16 Leases. IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains

a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability

to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2017, the Group plans to assess the potential effect of IFRS 16 on its consolidated financial statements.

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

## 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 LigaA, Agrokom NV LLC, PLC Mechnikovo, Agroliga LLC, Vostokagrocontract LLC and Mayak LLC, and Limited Liability Company "Agroliga Polska".

The financial statements of all the Group companies are prepared using uniform accounting policies. All intercompany 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

# Notes to the consolidated financial statements

year ended 31 December 2016

in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to sharebased payment arrangements of the acquiree or sharebased payment arrangements of the Group entered into to replace sharebased payment arrangements of the acquiree are measured in accordance with IFRS 2 Sharebased Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Noncurrent 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 noncontrolling 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 noncontrolling 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.

Noncontrolling 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 noncontrolling 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 noncontrolling 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.

## Foreign currency translation

### (1) 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 functional and presentation currency.

### (2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being 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.



# Notes to the consolidated financial statements

year ended 31 December 2016

## 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 Group's shareholders.

## Biological assets

Livestock are measured at their fair value less estimated pointofsale 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 pointofsale 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.

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                             | 25   |
| Agricultural equipment                | 710  |
| Motor vehicles and other fixed assets | 1020 |
| Production equipment                  | 510  |

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 noncurrent 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 instruments

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

# Notes to the consolidated financial statements

year ended 31 December 2016

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.

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.

## 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.

## Noncurrent liabilities

Noncurrent 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.



# Notes to the consolidated financial statements

year ended 31 December 2016

## 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 2016 and 31 December 2015 is disclosed in the following table:

| 3.1. Assets in the Combined Statement of Financial Position | 2016  | 2015  |
|---|-------|-------|
|   | €'000 | €'000 |
| Net trade receivables                                       | 5.551 | 2.853 |
| Cash and cash equivalents                                   | 636   | 890   |
| Total:  | 6.187 | 3.743 |

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.

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.

## 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.

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.

| 3.2 Assets in descending order of liquidity | 2016   | 2015   |
|---|--------|--------|
|   | €'000  | €'000  |
| The most liquid assets (A1)                 | 636    | 890    |
| Quick assets (A2)                           | 5.551  | 2.853  |
| Slow assets (A3)                            | 7.705  | 4.873  |
| Sticky assets (A4)                          | 4.323  | 4.426  |
| Total:                                      | 18.215 | 13.042 |

| 3.3 Liabilities in ascending order of maturity | 2016   | 2015   |
|--|--------|--------|
|  | €'000  | €'000  |
| The most forward liabilities (L1)              | 2.682  | 646    |
| Current liabilities (L2)                       | 1.136  | 750    |
| Non-current liabilities (L3)                   | 1.988  | 205    |
| Equity (L4)                                    | 12.409 | 11.441 |
| Total:   | 18.215 | 13.042 |

The absolute amounts of payment excess or deficiency as at 31.12.16 and 31.12.15 are presented in the table below:

| 3.4 Groups of assets and liabilities | 2016    | Excess (deficiency)<br>2015 |
|--------------------------------------|---------|-----------------------------|
|                                      | €'000   | €'000                       |
| 1                                    | (2.046) | 244                         |
| 2                                    | 4.415   | 2.103                       |
| 3                                    | 5.717   | 4.668                       |
| 4                                    | (8.086) | (7.015)                     |

# Notes to the consolidated financial statements

year ended 31 December 2016

The Statement of financial position is considered to be absolutely liquid, if:  $A1 > L1$ ,  $A2 > L2$ ,  $A3 > L3$ ,  $A4 < L4$ . Combined statement of financial position of the Group as at 31.12.15 is liquid because three of four conditions of liquidity are met.

The following table provides a liquidity analysis of the Group as at 31.12.16 and 31.12.15 with use of liquidity indicators calculation:

| 3.5 Liquidity indicators | 2016  | 2015  |
|--------------------------|-------|-------|
|                          | €'000 | €'000 |
| Absolute liquidity ratio | 0,161 | 0,638 |
| Quick liquidity ratio    | 1,777 | 2,987 |
| Current liquidity ratio  | 3,639 | 6,172 |

The absolute liquidity ratio shows the amount of payables that entity can repay immediately. This ratio should not be below 0.2. As at 31.12.16, the Group may immediately repay only 16.1% of accounts payable (as at 31.12.15 – 63.8%).

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 31.12.16, the Group has enough funds to repay its current liabilities.

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 31.12.16 Group's liquid funds cover its current liabilities by 177.70% (as at 31.12.15 – 298.70%).

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 2016:

| 3.6 Liabilities in the Combined Statement of Financial Position as at 31.12.2016 | Up to 1 year | From 1 to 5 years | Total |
|--|--------------|-------------------|-------|
|  | €'000        | €'000             | €'000 |
| Non-current borrowings   | -            | 1.978             | 1.978 |
| Current borrowings   | 1.136        | -                 | 1.136 |
| Trade and other payables   | 2.657        | -                 | 2.657 |
| Total:   | 3.793        | 1.978             | 5.771 |

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 2015:

| 3.7 Liabilities in the Combined Statement of Financial Position as at 31.12.2015 | Up to 1 year | From 1 to 5 years | Total |
|--|--------------|-------------------|-------|
|  | €'000        | €'000             | €'000 |
| Non-current borrowings   | -            | 43                | 43    |
| Current borrowings   | 750          | -                 | 750   |
| Trade and other payables   | 579          | -                 | 579   |
| Total:   | 1.329        | 43                | 1.372 |

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 are 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 are 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:

# Notes to the consolidated financial statements

year ended 31 December 2016

| 31.12.2016 | Increase/Decrease | Effect on profit before tax |
|------------|-------------------|-----------------------------|
|            |                   | €'000                       |
| EUR        | 5%                | (93)                        |
| EUR        | (5%)              | 93                          |
| USD        | 5%                | (15)                        |
| USD        | (5%)              | 15                          |

| 31.12.2015 | Increase/Decrease | Effect on profit before tax |
|------------|-------------------|-----------------------------|
|            |                   | €'000                       |
| EUR        | 5%                | (1)                         |
| EUR        | (5%)              | 1                           |
| USD        | 5%                | 25                          |
| USD        | (5%)              | (25)                        |

The table below represents the Group's monetary assets and liabilities at their carrying amount as at 31 December 2016 and 31 December 2015.

As at 31 December 2016:

|                                       | UAH     | EUR     | USD   | Total   |
|---------------------------------------|---------|---------|-------|---------|
|                                       | €'000   | €'000   | €'000 | €'000   |
| Non-current borrowings                | (144)   | (1.834) | -     | (1.978) |
| Current borrowings                    | (996)   | -       | (140) | (1.136) |
| Trade and other payables              | (1.609) | (612)   | (436) | (2.657) |
| Total financial liabilities           | (2.749) | (2.446) | (576) | (5.771) |
| Cash and cash equivalents             | 141     | 444     | 27    | 612     |
| Trade and other receivables           | 5.152   | 152     | 255   | 5.559   |
| Total financial assets                | 5.293   | 596     | 282   | 6.171   |
| Total carrying amount exposed to risk | 2.544   | (1.850) | (294) | 400     |

As at 31 December 2015:

|                                       | UAH   | EUR   | USD   | Total   |
|---------------------------------------|-------|-------|-------|---------|
|                                       | €'000 | €'000 | €'000 | €'000   |
| Non-current borrowings                | (43)  | -     | -     | (43)    |
| Current borrowings                    | (750) | -     | -     | (750)   |
| Trade and other payables              | (12)  | (129) | (438) | (579)   |
| Total financial liabilities           | (805) | (129) | (438) | (1.372) |
| Cash and cash equivalents             | 15    | 103   | 772   | 890     |
| Trade and other receivables           | 2.691 | -     | 162   | 2.853   |
| Total financial assets                | 2.706 | 103   | 934   | 3.743   |
| Total carrying amount exposed to risk | 1.901 | (26)  | 496   | 2.371   |

## 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.

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.

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



# Notes to the consolidated financial statements

year ended 31 December 2016

| 3.8 Calculation of financial indicators | 2016     | 2015    |
|---|----------|---------|
|   | €'000    | €'000   |
| Share capital                           | 31       | 31      |
| Share premium                           | 953      | 953     |
| Translation reserve                     | (10.283) | (7.473) |
| Retained earnings                       | 21.324   | 17.641  |
| Non-controlling interests               | 384      | 289     |
| Total equity                            | 12.409   | 11.441  |
| Non-current borrowings                  | 1.978    | 43      |
| Current borrowings                      | 1.136    | 750     |
| Trade and other payables                | 2.657    | 579     |
| Total borrowings                        | 5.771    | 1.372   |
| Cash and cash equivalents               | 636      | 890     |
| Net debt                                | 5.135    | 482     |
| Total equity and net debt               | 17.544   | 11.923  |
| Net debt/ Total equity and net debt     | 0,292    | 0,040   |

Accumulated profit of the Group is characterized by increase. Thus, from 31.12.2015 to 31.12.2016 the indicator has increased by EUR 3.662 thousand. As at 31.12.2016 the total equity increased by EUR 968 thousand compared with 2015. As at 31.12.2016 the total

amount of borrowings increased by 320,63% compared with 2015, which confirms the increase of the Group's financial dependence on external financing. As at 31.12.2016 the total amount of borrowings was EUR 5.796 thousand.

| 3.9 Calculation of financial indicators   | 2016  | 2015  |
|---|-------|-------|
|   | €'000 | €'000 |
| Profit (loss) before tax  | 3.678 | 3.188 |
| Financial income/(expenses), net  | (128) | (360) |
| EBIT (earnings before interests and taxes)  | 3.806 | 3.548 |
| Depreciation of property, plant and equipment and amortization of intangible assets | 188   | 163   |
| EBITDA (earnings before interests, taxes, depreciation and amortization)            | 3.994 | 3.711 |
| Net debt at the end of the year   | 5.135 | 549   |
| Net debt at the end of the year / EBITDA  | 1,286 | 0,148 |

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 2016 EBITDA indicator has significantly increased compared with 2015 by EUR 253 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 slowmoving 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 slowmoving 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 slowmoving inventory are reviewed regularly and adjusted accordingly.

# Notes to the consolidated financial statements

year ended 31 December 2016

## 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 nonfinancial assets

The impairment test is performed using the discounted cash flows expected to be generated through the use of nonfinancial 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.

## 5. REVENUE

| 5.1 Sales revenue   | 2016   | 2015   |
|---|--------|--------|
|   | €'000  | €'000  |
| Finished goods sold   | 15.192 | 19.201 |
| Goods sold  | 5.008  | 786    |
| Services rendered   | 1.142  | 644    |
| Total sales revenue :   | 21.342 | 20.631 |
| Income from change in fair value of biological assets and agricultural products | 240    | 399    |

## 6. INCOME FROM GOVERNMENT GRANTS

| 6.1 Income from government grants                          | 2016  | 2015  |
|--|-------|-------|
|  | €'000 | €'000 |
| Government grants related to VAT                           | 151   | 896   |
| Partial compensation of interest expenses and other grants | 8     | 2     |
| Total:   | 159   | 898   |

## 7. OTHER OPERATING INCOME/(EXPENSES), NET

| 7.1 Other operating income/(expenses), net          | 2016  | 2015  |
|---|-------|-------|
|   | €'000 | €'000 |
| Gain on current assets sold                         | 365   | 44    |
| Write-off of accounts receivable and advances given | (462) | (216) |
| Income from write-off of accounts payable           | 7     | 7     |
| Recognized fines, penalties                         | 3     | 2     |
| Other income  | 128   | 264   |
| Other expenses                                      | (11)  | (358) |
| Other operating expenses                            | (19)  | (8)   |
| Total:  | 11    | (265) |

# Notes to the consolidated financial statements

year ended 31 December 2016

## 8. EXPENSES

| 8.1 Cost of sales             | 2016     | 2015     |
|-------------------------------|----------|----------|
|                               | €'000    | €'000    |
| Materials                     | (14.313) | (15.756) |
| Services                      | (2.283)  | (1.252)  |
| Depreciation and amortization | (116)    | (230)    |
| Lease                         | (83)     | (89)     |
| Staff costs                   | (119)    | (92)     |
| Taxes                         | (97)     | (28)     |
| Total:                        | (17.011) | (17.447) |

| 8.2 Administrative expenses   | 2016  | 2015  |
|-------------------------------|-------|-------|
|                               | €'000 | €'000 |
| Depreciation and amortization | (72)  | (5)   |
| Materials                     | (33)  | (166) |
| Staff costs                   | (68)  | (92)  |
| Services                      | (292) | (92)  |
| Taxes                         | (15)  | (2)   |
| Total:                        | (480) | (357) |

| 8.3 Distribution expenses        | 2016  | 2015  |
|----------------------------------|-------|-------|
|                                  | €'000 | €'000 |
| Transport services               | (233) | (156) |
| Marketing and promotion services | (70)  | (49)  |
| Other services                   | (51)  | (320) |
| Materials                        | (20)  | -     |
| Staff costs                      | (6)   | (7)   |
| Total:                           | (380) | (532) |

## 9. FINANCIAL INCOME/(EXPENSES), NET

| 9.1 Financial income/(expenses), net | 2016  | 2015  |
|--------------------------------------|-------|-------|
|                                      | €'000 | €'000 |
| Bank interest income                 | 18    | 8     |
| Unrealised exchange profit           | 46    | 7     |
| Interest expense                     | (186) | (336) |
| Other finance expenses               | (6)   | (39)  |
| Total:                               | (128) | (360) |



# Notes to the consolidated financial statements

year ended 31 December 2016

## 10. TAXES

| 10.1 Tax recognized in profit or loss | 2016  | 2015  |
|---------------------------------------|-------|-------|
|                                       | €'000 | €'000 |
| Profit (loss) before tax              | 3,678 | 3,188 |
| Overseas tax from tax rate 18%        | (662) | (573) |
| Deferred tax effect                   | 363   | 209   |
| Effect change tax rate                | 399   | 458   |
| Charge/(credit) for the year          | 100   | 94    |

The corporation tax rate varies is 12,5% for the Cyprus entity and 18% for the Ukrainian entities.

## 11. PROPERTY, PLANT AND EQUIPMENT

| 11.1. Property, Plant and Equipment | 2016         | 2015         |
|-------------------------------------|--------------|--------------|
|                                     | €'000        | €'000        |
| Historical cost                     | 4,309        | 4,255        |
| Accumulated depreciation            | (816)        | (680)        |
| Net carrying amount                 | 3,493        | 3,575        |
| Construction in progress            | 356          | 1,019        |
| Buildings and structures            | 1,542        | 1,170        |
| Agricultural equipment              | 1,047        | 784          |
| Production equipment                | 386          | 406          |
| Vehicles                            | 162          | 196          |
| <b>Total</b>                        | <b>3,493</b> | <b>3,575</b> |

|                             | Buildings | Property under construction | Agricultural equipment | Motor vehicles and other fixed assets | Production equipment | Total |
|-----------------------------|-----------|-----------------------------|------------------------|---------------------------------------|----------------------|-------|
| Cost                        | €'000     | €'000                       | €'000                  | €'000                                 | €'000                | €'000 |
| Balance at 31 December 2015 | 1,259     | 1,019                       | 1,273                  | 211                                   | 493                  | 4,255 |
| Additions                   | 549       | -                           | 386                    | 39                                    | 36                   | 1,010 |
| Disposals                   | -         | (647)                       | (2)                    | (8)                                   | -                    | (657) |
| Exchange differences        | (107)     | (16)                        | (146)                  | 3                                     | (33)                 | (299) |
| Balance at 31 December 2016 | 1,701     | 356                         | 1,511                  | 245                                   | 496                  | 4,309 |

|  |              |          |              |             |              |              |
|--|--------------|----------|--------------|-------------|--------------|--------------|
| Depreciation   |              |          |              |             |              |              |
| Balance at 31 December 2015  | (323)        | -        | (281)        | -           | (76)         | (680)        |
| Reclassification of depreciation between categories of property, plant and equipment | 234          | -        | (208)        | (15)        | (11)         | -            |
| Charge for the year  | (72)         | -        | (69)         | (19)        | (28)         | (188)        |
| On disposal  | -            | -        | 2            | 8           | -            | 10           |
| Exchange differences   | 2            | -        | 92           | (57)        | 5            | 42           |
| <b>Balance at 31 December 2016</b>   | <b>(159)</b> | <b>-</b> | <b>(464)</b> | <b>(83)</b> | <b>(110)</b> | <b>(816)</b> |

# Notes to the consolidated financial statements

year ended 31 December 2016

Net book value

|                                    |              |            |              |            |            |              |
|------------------------------------|--------------|------------|--------------|------------|------------|--------------|
| <b>Balance at 31 December 2016</b> | <b>1.542</b> | <b>356</b> | <b>1.047</b> | <b>162</b> | <b>386</b> | <b>3.493</b> |
| Balance at 31 December 2015        | 1.170        | 1.019      | 784          | 196        | 406        | 3.575        |
| Balance at 31 December 2014        | 1.076        | 182        | 853          | 26         | 546        | 2.683        |

## 12. BIOLOGICAL ASSETS

|   |             |       |
|---|-------------|-------|
| 12.1. Biological assets in the Combined Statement of Financial Position | <b>2016</b> | 2015  |
|   | €'000       | €'000 |

Non-current biological assets

|         |    |     |
|---------|----|-----|
| Cattle  | 79 | 137 |
| Gardens | 18 | 15  |

Current biological assets

|               |            |            |
|---------------|------------|------------|
| Cattle        | 215        | 229        |
| Sunflower     | 277        | 365        |
| Wheat         | 57         | 11         |
| Other cereals | 51         | 76         |
| <b>Total:</b> | <b>697</b> | <b>833</b> |

|                         |             |       |
|-------------------------|-------------|-------|
| 12.2. Biological assets | <b>2016</b> | 2015  |
|                         | €'000       | €'000 |

|  |         |       |
|--|---------|-------|
| Balance at 1 January                                     | 833     | 663   |
| Increases due to purchases                               | -       | 349   |
| Decrease in value due to disposal and products gathering | (4 616) | (459) |
| Increase in value due to capitalized expenses            | 4 655   | 455   |
| Exchange difference                                      | (98)    | (178) |
| Gains arising from changes in fair value                 | (77)    | 3     |
| Balance at 31 December                                   | 697     | 833   |

|                    |            |            |
|--------------------|------------|------------|
| Noncurrent portion | 97         | 152        |
| Current portion    | 600        | 681        |
| <b>Total:</b>      | <b>697</b> | <b>833</b> |

## 13. NONCURRENT LOANS RECEIVABLE

|                                   |             |       |
|-----------------------------------|-------------|-------|
| 13.1. Noncurrent loans receivable | <b>2016</b> | 2015  |
|                                   | €'000       | €'000 |

|                                   |            |            |
|-----------------------------------|------------|------------|
| Loans to shareholders (note 22.4) | 718        | 473        |
| <b>Total:</b>                     | <b>718</b> | <b>473</b> |

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

# Notes to the consolidated financial statements

year ended 31 December 2016

## 14. INVENTORIES AND WORK IN PROGRESS

| 14. Inventories and work in progress | 2016  | 2015  |
|--------------------------------------|-------|-------|
|                                      | €'000 | €'000 |
| Raw and materials                    | 2.107 | 1.193 |
| Work in progress                     | 1.424 | 983   |
| Finished goods                       | 2.560 | 1.723 |
| Goods                                | 159   | 191   |
| Fuel                                 | 233   | 38    |
| Spare parts and building materials   | 599   | 47    |
| Other inventories                    | 23    | 17    |
| Total:                               | 7.105 | 4.192 |

## 15. TRADE AND OTHER RECEIVABLES

| 15.1. Trade and other receivables                | 2016  | 2015  |
|--|-------|-------|
|  | €'000 | €'000 |
| Trade receivables of customers                   | 2.390 | 2.003 |
| Doubtful debts allowance                         | (350) | (38)  |
| Trade receivables to related parties (note 22.3) | 52    | 87    |
| Trade receivables net                            | 2.092 | 2.052 |

| 15.2 Trade receivables by the period (overdue, but not impaired) | 2016  | 2015  |
|--|-------|-------|
|  | €'000 | €'000 |
| less than 60 day   | 569   | 495   |
| 60-90 days   | 140   | 122   |
| 90-120 days  | 430   | 374   |
| more than 120 days   | 953   | 1.123 |
| Total:   | 2.092 | 2.114 |

| 15.3 Doubtful debts allowance | 2016  | 2015  |
|-------------------------------|-------|-------|
|                               | €'000 | €'000 |
| Opening balance               | (38)  | (123) |
| Allowance reversal            | 38    | 123   |
| Charge to allowance           | (350) | (38)  |
| Closing balance               | (350) | (38)  |

| 15.4 Other receivables                         | 2016  | 2015  |
|--|-------|-------|
|  | €'000 | €'000 |
| Advances made                                  | 2.832 | 626   |
| Doubtful debts allowance for advances          | (72)  | -     |
| Advances to related parties (note 22.3)        | 22    | -     |
| Tax prepayments                                | 364   | 193   |
| Other current receivables                      | 321   | 3     |
| Doubtful debts allowance for other receivables | (8)   | (83)  |
| Total:   | 3.459 | 739   |

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year ended 31 December 2016

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.

## 16. CASH AND CASH EQUIVALENTS

|                                   | 2016       | 2015       |
|-----------------------------------|------------|------------|
|                                   | €'000      | €'000      |
| Cash at bank in national currency | 141        | 15         |
| Cash at bank in foreign currency  | 495        | 875        |
| <b>Total</b>                      | <b>636</b> | <b>890</b> |

## 17. ISSUED CAPITAL AND RESERVES

| 17.1. Issued capital | 2016        | 2015        |
|----------------------|-------------|-------------|
|                      | €'000       | €'000       |
| Issued capital       | (31)        | (31)        |
| <b>Total</b>         | <b>(31)</b> | <b>(31)</b> |

|  | 2016             | 2016  | 2015             | 2015  |
|--|------------------|-------|------------------|-------|
|  | Number of shares | €'000 | Number of shares | €'000 |
| Authorised   |                  |       |                  |       |
| Ordinary shares of €0,10 each                                      | 307.560          | 31    | 307.560          | 31    |
| Issued and fully paid  |                  |       |                  |       |
| Balance at 1 January   | 307.560          | 31    | 307.560          | 31    |
| Result of aggregation with Ukrainian entity LLC Vostokagrocontract | -                | -     | -                | 20    |
| Balance at 31 December   | 307.560          | 31    | 307.560          | 51    |

## 18. BORROWINGS

| 18.1. Borrowings                            | % rate, %   | Currency | 2016         | 2015       |
|---|-------------|----------|--------------|------------|
|   |             |          | €'000        | €'000      |
| Long-term borrowings                        |             |          | 1.978        | 43         |
| Ukrainian bank 1                            | 6,5%        | EUR      | 1.834        | -          |
| Ukrainian bank 2                            | 18,2%-20,2% | UAH      | 70           | -          |
| Ukrainian bank 3                            | 11,6%-14,9% | UAH      | 35           | 43         |
| Loans from related undertakings (note 22.6) |             |          | 39           |            |
| Short-term borrowings                       |             |          | 1.136        | 750        |
| Ukrainian bank 1                            | 5,85%       | USD      | 140          | -          |
| Ukrainian bank 1                            | 18,5%       | UAH      | 996          |            |
| Ukrainian bank 4                            | 23%-25,5%   | UAH      | -            | 750        |
| <b>Total</b>                                |             |          | <b>3.114</b> | <b>793</b> |

The carrying amount of fixed assets that are pledged as a security for the fulfilment of the Group's obligations under loan agreements as of 31 December 2016 amount to EUR 576 thousand



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year ended 31 December 2016

## 19. DEFERRED TAXES

Deferred tax is calculated in full on all temporary differences under the liability method using the applicable tax rates (Note 11). 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 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.

The movement on the deferred taxation account is as follows:

### Deferred tax liability

|  | Noncurrent assets | Prepayments | Doubtful debts reserves | Total |
|--|-------------------|-------------|-------------------------|-------|
|  | €'000             | €'000       | €'000                   | €'000 |
| Balance at 31 December 2014  | 5                 | 130         | -                       | 135   |
| Charged/(credited) to:   |                   |             |                         |       |
| Statement of profit or loss and other comprehensive income (Note 11) | 41                | (14)        | -                       | 27    |
| Balance at 31 December 2015  | 46                | 116         | -                       | 162   |
| Charged/(credited) to:   |                   |             |                         |       |
| Statement of profit or loss and other comprehensive income (Note 11) | (36)              | (116)       | -                       | (152) |
| Balance at 31 December 2016  | 10                | -           | -                       | 10    |

### Deferred tax assets

|  | Noncurrent assets | Advances from clients | Doubtful debts reserves | Total |
|--|-------------------|-----------------------|-------------------------|-------|
|  | €'000             | €'000                 | €'000                   | €'000 |
| Balance at 31 December 2014  | 2                 | 52                    | (10)                    | 44    |
| Charged/(credited) to:   |                   |                       |                         |       |
| Statement of profit or loss and other comprehensive income (Note 11) | (1)               | 180                   | 3                       | 182   |
| Balance at 31 December 2015  | 1                 | 232                   | (7)                     | 226   |
| Charged/(credited) to:   |                   |                       |                         |       |
| Statement of profit or loss and other comprehensive income (Note 11) | (1)               | (232)                 | 22                      | (211) |
| Balance at 31 December 2016  | -                 | -                     | 15                      | 15    |

## 20. TRADE AND OTHER PAYABLES

| 20.1. Trade and other payables                  | 2016  | 2015  |
|---|-------|-------|
|   | €'000 | €'000 |
| Trade payables                                  | 2.345 | 165   |
| Trade payables from related parties (note 22.5) | 253   | 153   |
| Prepayments from clients                        | 27    | 105   |
| Directors' current accounts (note 22.7)         | 4     | 4     |
| Other creditors                                 | 272   | 152   |
| Total   | 2.657 | 579   |

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

# Notes to the consolidated financial statements

year ended 31 December 2016

## 21. OPERATING ENVIRONMENT OF THE GROUP

Ukraine has been experiencing substantial politic and economic changes in recent years, and these changes continuously influenced activities of the Group. Currently Ukraine is going through a transitional period that going to stabilize its political environment and lead to economic growth. Unique combination of natural, intellectual, human and production resources in line with effective and professional government opens plenty of new opportunities for development of the country in geopolitical scale, which is also changing permanently. So,

prospects for future economic stability in Ukraine considerably depend upon effective economic steps and reforms together with development of legislation and politics, which are not under the control of the Group. These consolidated financial statements represent current assessment of the management of Ukrainian business environment on activities of the Group, its financial position. However, the future conditions could differ from this assessment.

## 22. RELATED PARTY TRANSACTIONS

The Company is controlled by Mr Oleksandr Berdnyk and Ms Iryna Poplavska which own 42% of the Company's shares each.

The following transactions were carried out with related parties:

### 22.1 Sales of goods and services

| Name         | Nature of transactions | 2016<br>€'000 | 2015<br>€'000 |
|--------------|------------------------|---------------|---------------|
| Y.Poplavskiy | Trade                  | 2             | -             |
| L.Kazanina   | Trade                  | 25            | 6             |
| O.Berdnyk    | Trade                  | -             | 1             |
| Total        |                        | 27            | 7             |

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

### 22.2 Purchases of goods and services

| Name          | Nature of transactions | 2016<br>€'000 | 2015<br>€'000 |
|---------------|------------------------|---------------|---------------|
| I.Poplavskaya | Trade                  | 117           | 546           |
| Yakovleva     | Trade                  | 97            | 611           |
| L.Kazanina    | Trade                  | 16            | 61            |
| Y.Poplavskiy  | Trade                  | 2             | 7             |
| M.Tamaryan    | Trade                  | -             | 71            |
| Palatovska    | Trade                  | -             | 37            |
| Total         |                        | 232           | 1,333         |

Purchases from related parties were made on commercial terms and conditions.

### 22.3 Receivables from related parties (notes 15.1 and 15.4)

| Name          | Nature of transactions | 2016<br>€'000 | 2015<br>€'000 |
|---------------|------------------------|---------------|---------------|
| I.Poplavskaya | Trade                  | 16            | 1             |
| M.Tamaryan    | Trade                  | 2             | 53            |
| L.Kazanina    | Trade                  | 44            | 31            |
| Praga         | Trade                  | -             | 1             |
| Palatovska    | Trade                  | 7             | -             |
| O.Berdnyk     | Other                  | 4             | -             |
| Yakovleva     | Trade                  | 1             | 1             |
| Total         |                        | 74            | 87            |

# Notes to the consolidated financial statements

year ended 31 December 2016

## 22.4 Loans to shareholders (note 13.1)

|                      | 2016  | 2015  |
|----------------------|-------|-------|
|                      | €'000 | €'000 |
| Loan to shareholders | 718   | 473   |
| Total                | 718   | 473   |

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

## 22.5 Payables to related parties (note 20.1)

| Name          | Nature of transactions | 2016  | 2015  |
|---------------|------------------------|-------|-------|
|               |                        | €'000 | €'000 |
| I.Poplavskaya | Other                  | 124   | 38    |
| M.Tamaryan    | Other                  | 3     | 27    |
| L.Kazanina    | Trade                  | 17    | 1     |
| S.Berdnyk     | Trade                  | 11    | 1     |
| Y.Poplavskiy  | Trade                  | 2     | 4     |
| Yakovleva     | Trade                  | 96    | 82    |
| Total         |                        | 253   | 153   |

## 22.6 Loans from related undertakings (note 18.1)

|                            | 2016  | 2015  |
|----------------------------|-------|-------|
|                            | €'000 | €'000 |
| Loans from related parties | 39    | 59    |
| Total                      | 39    | 59    |

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

## 22.7 Directors' current accounts – credit balances (note 20.1)

|            | 2016  | 2015  |
|------------|-------|-------|
|            | €'000 | €'000 |
| O. Berdnyk | 4     | 4     |
| Total      | 4     | 4     |

For the year ended 31 December 2016, the paid out of remuneration of the key management personal amounted to EUR 13 000. Current payables to the key management personal amounted to EUR 4 000

## 23. 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.

## 24. COMMITMENTS

The Group had no capital or other commitments as at 31 December 2016.

# Notes to the consolidated financial statements

year ended 31 December 2016

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## 25. GOING CONCERN

For the year ended 31 December 2016, the Group's profit amounted to EUR 3.779 thousand. Thus, as at 31 December 2016, current assets of the Group exceeded its current liabilities by EUR 10.486 thousand. Despite the positive indicators in 2016, 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.

## 26. 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 9.5 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 construction of a new oil extraction plant. We plan to triple the processing capacity to 10,000 tons per month,

and a modern extraction line will also be launched. We will launch the first stage for the new season of 2017. After the launch of the plant, the market share of the sunflower oil market in the Kharkov region will reach 10-12%.

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