

CEREAL PLANET PLC

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

With Independent Auditor's Report

CEREAL PLANET PLC

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BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	ASK Investment Limited ASK Management Limited Anatoliy Vlasenko
Company Secretary:	ASK Secretarial Services Limited
Independent Auditors:	Kreston Proios Ltd Certified Public Accountants A member of Kreston International A global network of independent accounting firms Corner of Nikis Avenue & 2 Kastoros Street, 1087 Nicosia
Registered office	11 Boumpoulinas Street 1 st floor 1060 Nicosia, Cyprus
Banker:	Credit Agricole Bank Polska S.A. Versobank AS
Registration number:	HE 269325

CEREAL PLANET PLC

CONSOLIDATED MANAGEMENT REPORT

The Board of Directors presents its report and audited consolidated financial statements of Public Limited Company "CEREAL PLANET" and its subsidiaries (the Group) for the year ended 31 December 2018.

Principal activities

The principal activities of the Group is the production of cereals (buckwheat, pea, wheat, barley, maize and millet) and mixed fodder, using the Group's own equipment. The cereals are packed in the consumer packages under the official trade mark which is used for own products and other goods. The principal activity of the parent Company is the holding of investments as well as the acquisition and sales of cereals and groats.

The Group of Companies has key client-distributors in large regional and district cities of Ukraine, the sales channels of which are used in the sales of the Group.

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

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

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

The company plans:

- To modernize the equipment for grain testing, which will increase the productivity of cereals, as well as grain for export under more stringent conditions of customers, which will expand the sales market outside Ukraine;
- To increase the volume of grain processing for bulgur cereals for further exports to the EU and Middle East countries, which will increase the currency earnings;
- The company implemented the launch of the new Bulgur commodity unit and as a result plans to increase production volumes of cereal flakes which is expected to lead to an increase in sales volumes.

Results

The Group's results for the year are set out on page 10.

The company reduced cost of sales; this led to an increase in Gross profit by Th EUR 338. Stabilization of the exchange rate and reduction of variable costs, per unit of output, due to increased production volumes, contributed to an increase in EBIT, an increase of 8%.

Dividends

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

Research and Development activities

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

Share capital

There were no changes in the share capital of the Company during the year under review. The profit received in 2018 will be redirected to the modernization of grain and grain lines, which will increase production volumes and enable the Company to meet the growing demand of organic food.

Board of Directors

The members of the Group's Board of Directors as at 31 December 2018 and at the date of this report are presented on page 3. All of them were members of the Board of Directors throughout the year ended 31 December 2018. In accordance with the Company's Articles of Association all directors presently members of the Board continue in office. There were no significant changes in the remuneration of the Board of Directors.

Corporate Governance

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

Events after the reporting period

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

By order of the Board of Directors,

ASK Secretarial Services Limited
Secretary

Nicosia, 30 May 2019

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

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

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

Members of the Board of Directors:

Director / Anatoliy Vlasenko

Director / ASK Investment Limited

Director / ASK Management Ltd

Responsible for drafting the consolidated financial statements:

Anatoliy Vlasenko
Director

INDEPENDENT AUDITOR'S REPORT

To the Members of Cereal Planet Plc Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Cereal Planet Plc (the "Company"), and its subsidiaries (the "Group"), which are presented in pages 10 to 37 and comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Fixed assets (property plant and equipment)	
The process of account the property plant and equipment in accordance with IAS 16 Property plant and equipment is significant and complex (note 14 of the consolidated financial statements)	
Key Audit Matter	How the matter was addressed in our audit
Description of the most significant assessed risks of material misstatement, including assessed risks of material misstatement due to fraud	<p>Our audit approach included assessing the relevant controls associated with the processes for accounting of the property plant and equipment and performing substantive procedures for accounting. Our procedures related to the control environment and focused on the following key areas:</p> <ul style="list-style-type: none"> • Completeness and reliability of financial information on property plant and equipment in connection with changes in accounting software • Accounting policies: reconciliation and alignment with the applicable accounting standard. • Databases: evaluation of the completeness, Accuracy and quality of the data and of the control and management process in place.

<p>The risk of incorrect use of IFRS 9 and IFRS 15. The number of professional judgments has increased. The risk of installing new valuation models (including stock valuations), new requirements for document management and evidence base.</p> <p>The risk of choosing an unfavorable financial instruments accounting model.</p>	<ul style="list-style-type: none"> • Evaluation of agreements in the field of regulation in accordance with IFRS 15. • An analysis of the criteria for the compliance of contracts with clients under IFRS 15. • Conduct an income recognition analysis through a five-step model in accordance with IFRS 15, which includes: <ul style="list-style-type: none"> - determination of the contract with the customer; - definition of fulfillment of obligations under the contract; - definition of the price of the contract; - allocation of the transaction price for the obligations to perform; - definition of income, when each obligation is fulfilled. • Analyzing asset models for business models in order to obtain cash flows in accordance with IFRS 9 • An assessment in accordance with IFRS 9 of financial assets at amortized cost or fair value. • Definition of classification and measurement of financial liabilities in accordance with IFRS 9
<p>Key observations arising with respect to those risk</p>	<p>No observations, all procedures and methodology meet requirements</p>

Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

Report on Other Legal Requirements

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

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the management report.
- In our opinion, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and is consistent with the consolidated financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In our opinion, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii) and (vi) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.



Nicos Drymiotis

Certified Public Accountants and Registered Auditor
for and on behalf of

Kreston Proios Ltd

Certified Public Accountants

A member of Kreston International

A global network of independent accounting firms

Corner of Nikis Avenue & 2 Kastoros Street, 1087 Nicosia

30 May 2019

CEREAL PLANET PLC
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
For the year ended 31 December 2018

(In thousands of EUR, unless otherwise stated)

	Notes	2018	2017
Sales revenue	6	18 459	18 616
Cost of sales	7	(14 717)	(15 212)
Gross profit		3 742	3 404
Administrative expenses	8	(350)	(664)
Selling expenses	9	(2 736)	(2 074)
Other expenses	10	(810)	(2 383)
Other income	11	683	2 207
Finance expenses	12	(319)	(246)
Profit before taxation		210	245
Income tax	13	(41)	(83)
Net profit		170	162
Other comprehensive income/(loss):			
Currency translation reserve		171	(43)
Total comprehensive income/(loss) for the year		340	119

 Director / Anatolii Vlasenko

 Director / ASK Management Limited

 Director / ASK Investment Limited

CEREAL PLANET PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2018

(In thousands of EUR, unless otherwise stated)

	Note	2018	2017
ASSETS			
Non-current assets			
Property plant, and equipment	14	2 205	1 560
Intangible assets	15	36	40
		2 241	1 600
Current assets			
Inventory	16	2 465	2 594
Trade and other receivables	17	2 149	1 461
Prepayments and other current assets	18	1 326	736
Cash and cash equivalents	19	244	58
		6 185	4 849
TOTAL ASSETS		8 426	6 449
EQUITY AND LIABILITIES			
Equity			
Share capital	20	53	53
Share premium	21	111	111
Exchange differences on translation to presentation currency		(4 812)	(4 806)
Retained earnings		6 854	6 685
		2 206	2 043
Non-current liabilities			
Deferred tax liabilities	13	7	3
		7	3
Current liabilities			
Loans and borrowings	22	2 173	1 459
Trade payables	23	3 653	2 638
Advances received and other liabilities	24	388	306
		6 213	4 403
TOTAL EQUITY AND LIABILITIES		8 426	6 449

On 30 May 2019, the Board of Directors of Cereal Planet Plc authorized these consolidated financial statements for issue

Director / Anatoliy Vlasenko

Director / ASK Management Limited

Director / ASK Investment Limited

CEREAL PLANET PLC

CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended 31 December 2018

(In thousands of EUR, unless otherwise stated)

	Note	2018	2017
Cash flows from operating activities			
Profit before tax		210	245
Adjustments for:			
Depreciation of property, plant and equipment	14	335	146
Amortization of intangible asset			8
Exchange difference arising on the translation of assets on foreign currencies		171	(43)
Other exchange difference on translation to presentation currency			
Interest expense	12	(319)	(246)
Cash flows from operations before working capital changes		398	110
Increase in inventories and work in progress		129	(27)
Increase in trade and other receivables		(1 278)	3 098
(Decrease)/increase in trade and other payables		1 096	(2 505)
Cash flows from operations		345	675
Income tax paid		(41)	(83)
Net cash flows from operating activities		304	593
Cash flows from investing activities			
Net movement in construction in progress			(60)
Net disposal of property, plant and equipment	14		20
Payment for purchase of property, plant and equipment	14	(1 154)	(382)
Net cash flows used in investing activities		(1 154)	(422)
Cash flows from financing activities			
Repayments of borrowings		714	(756)
Net cash flows (used in)/from financing activities		714	(756)
Net decrease in cash and cash equivalents		(136)	(593)
Cash and cash equivalents:			
At beginning of the year/period		58	651
At end of the year/period	19	244	58

Director / Anatoliy Vlasenko

Director / ASK Management Limited

Director / ASK Investment Limited

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

CEREAL PLANET PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

(In thousands of EUR, unless otherwise stated)

	Issued capital (Note 20)	Share premium (Note 21)	Exchange differences on translation to presentation currency	Retained earnings	Total
As at 31 December 2016	53	111	(4 198)	6 523	2 488
Net income/(loss) for the year	-	-	-	162	162
Foreign exchange differences	-	-	(608)	-	(608)
As at 31 December 2017	53	111	(4 806)	6 685	2 043
Net income/(loss) for the year				170	170
Foreign exchange differences			(6)		(6)
As at 31 December 2018	53	111	(4 812)	6 854	2 206

Share premium is not available for distribution.

 Director / Anatoliy Vlasenko

 Director / ASK Management Limited

 Director / ASK Investment Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

(In thousands of EUR, unless otherwise stated)

1. Information about the Group and its principal activities
Country of incorporation

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

The Group

These consolidated financial statements also include:

Limited Liability Company "Cereal Ukraine" ("LLC "Cereal Ukraine""), incorporated on 22 August 2012 in accordance with requirements of the Ukrainian legislation and located at the address: 2 Mekhanizatoriv str., Kharkiv 61075.

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

Principal activities

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

The Group of companies has a trade chain in Kharkov and in the region, subsidiaries in Poltava and Sumy, key clients-distributors in large regional and district cities of Ukraine, the sales channels of which are used for sales of Group owned and other trademarks. The Group is a distributor of such leading manufacturers as Kernel (TM Chumak, Stozhar, Shchedry Dar), Odesskiy Tinned Food Factory (TM Gospodarochka), Lutsk Foods (TM Runa), Soyuzpishcheprom (TM TSAR, Russia).

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

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

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

2. Group's operating environment

During 2018, Ukraine underwent a transitional period during which it saw a stabilization of its political environment and implementation of a policy of consistent economic growth. The unique combination of natural, intellectual, human and production resources in combination with an effective and professional government opens plenty of new opportunities for development for the country in geopolitical scale.

3. Accounting policies
3.1 Basis for preparation
Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2018 which include the comparative figures of 2017.

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

CEREAL PLANET PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

(In thousands of EUR, unless otherwise stated)

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

- Cereal Planet PLC
- Limited Liability Company "Cereal Ukraine"
- Limited Liability Company "Olimp"

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

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

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

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

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

Functional and presentation currency

The Company's functional and presentation currency is the Euro (EUR). The functional currency of each of the Group's Ukrainian entities is the Ukrainian Hryvnya (UAH).

For the convenience of the principal users, the Group's presentation currency was determined to be the Euro. Consolidated financial statements are presented in thousands of EUR.

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

	2018	2017
As at 31 December	31.7141	33.4954
Average	32.1238	30.0128

Going concern assumption

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

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

CEREAL PLANET PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

(In thousands of EUR, unless otherwise stated)

3.2 Adoption of new or revised standards and interpretations

During the current year the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning 1 January 2018.

The Company has adopted the following IFRS and Interpretations of IFRS Interpretations Committee published and 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 1 January 2018.
- IFRS 15 Revenue from Contracts with Customers - IFRS 15 was issued in May 2014 and establishes a five-step model to account 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.

Classification and measurement

Group 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.

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 applies 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.

- 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.

- 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.

CEREAL PLANET PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

(In thousands of EUR, unless otherwise stated)

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.

– IFRS 16 Leases. IFRS 16 was issued in January 2017 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 remeasure 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 remeasurement 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 2019, 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.

3.3. Summary of significant accounting policies

The main principles of accounting policy, which have been adopted in the preparation of this audit consolidated financial information, are set out below. These policies have been applied consistently to all years presented in these consolidated financial statements.

Recognition of income

IFRS 15 Recognizes income as an acquisition of assets in the course of normal business activities, accounting obligations will be determined by the fact of signing an agreement that obliges the company to certain legal actions.

Revenues from sales are measured at the fair value of the consideration that was or should be received and represent the amounts before receipts for goods or services provided in the ordinary course of business, less discounts and related sales taxes.

Revenues are recognized if there is a probability that the enterprise will receive the relevant economic benefits from operations and the possibility of a reliable estimate of the amount of income. Revenues are recognized when a significant part of the risks and benefits associated with the property for the goods passes to the buyer, and the amount of income can be reliably estimated. Revenues are earned on invoiced net of indirect taxes and discounts.

The contract revenue for services is shown at the stage of completion of the contract.

Interest income is recognized in the statement of comprehensive income on an accrual basis, based on principal and effective interest rates that discounts future expected cash inflows over the life of the financial asset to the residual value of the asset.

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Taxes

Current income tax

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

Deferred income tax

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

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

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

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

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

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

Value added tax

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

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

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

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Property, plant and equipment

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

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

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

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

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

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

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

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

Low-value items (materiality level - 6,000 UAH) of plant, property and equipment are expensed upon acquisition.

Intangible assets

Software

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

Trademarks

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

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

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Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Group as a lessee

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term.

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Borrowing costs

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

Finance costs

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

Financial instruments

Financial assets

Initial recognition and evaluation

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

- a) the business model of a business entity for managing financial assets;
- b) Characteristics of contractual cash flows of a financial asset.

A financial asset is measured at amortized cost if both of the following conditions are met:

- a) the asset is held in a business model whose purpose is to hold assets for contractual cash flows;
- b) the contractual terms of a financial asset include certain cash flows that are only repayment of the principal and interest payment on the outstanding principal.

In addition to the general classification, an entity may, at initial recognition, not be permitted to designate a financial asset as being measured at fair value with a revaluation of profit or loss, if such an appointment eliminates or significantly reduces an assessment or recognition mismatch (sometimes referred to as "inconsistency accounting") that otherwise would arise as a result of valuation of assets or liabilities or recognition of gains or losses on them on various grounds

Initial assessment

When initial recognition of a financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability that is measured at fair value with a revaluation loss recognized in profit or loss, transaction costs that directly related to the acquisition or issue of a financial asset or financial liability.

In the event that the accounting for the date of settlement for an asset that is subsequently measured at cost or depreciated cost is used, the asset is initially recognized at its fair value at the date of the transaction.

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Further evaluation

Evaluates a financial asset at fair value or at amortized cost.

A financial asset is any asset that is

- in cash;
- equity instruments of another enterprise;
- the contractual right to receive or to exchange profits at cash or another financial asset from another enterprise;
- a contract that will be settled or can be carried out by own equity instruments.

Financial liabilities

Initial recognition and evaluation

Financial liabilities to which IFRS 9 applies are classified as subsequently measured at amortized cost using the effective interest method, with the exception of:

- (a) financial liabilities at fair value reflecting the revaluation of profit or loss. Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value;
- b) financial liabilities that arise when the transfer of a financial asset does not meet the criteria for termination of recognition or when the approach to further participation is applied.
- c) financial guarantee contracts.
- d) an obligation to provide a loan at an interest rate lower than the market rate.

Further evaluation

Evaluates financial liabilities at fair value or amortized cost.

A financial liability is any obligation that is:

- contractual obligations to provide cash or another financial asset to another entity.
- A contractual obligation to provide or exchange funds or other financial assets to another entity on terms that are potentially loss-making;
- A contract, which will be settled or can be carried out by own capital instruments of the enterprise.

Under the capital instrument should mean any contract that confirms the residual interest in net assets of another enterprise.

Financial assets and liabilities arise in the course of the company's operations in the purchase / sale of goods, services, loans, purchase of means of production.

Financial instruments

Financial assets and financial liabilities are recognized in the statement of financial position at the time when the entity becomes a party to the contractual relationship in relation to the relevant instrument. The usual operations for the acquisition and sale of financial assets and liabilities are recognized using the accounting method at the settlement date. The settlement date is the date when the asset is delivered to or dispatched from the enterprise.

Accounting on the settlement date includes:

- Acceptance of an asset on the day it is received;
- Termination of recognition of an asset and determination of any gain or loss on disposal on the day when the entity loses the asset.

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Financial assets and financial liabilities are represented by cash and cash equivalents, loans issued, trade and other receivables, as well as loans, trade and other payables.

Financial assets and liabilities are initially recognized at fair value.

Costs of transactions directly related to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or are deducted from the fair value of financial assets or financial liabilities, respectively, at the time of initial recognition. Expenditure on transactions directly related to the acquisition of financial assets or financial liabilities at fair value through profit or loss is recognized immediately in profit or loss.

Loans and receivables

Loans and receivables - non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, financial assets of this nature are measured at fair value, which is determined using the effective interest rate method, net of impairment. Amortized cost is calculated on the basis of discounts or premiums on acquisition, as well as commissions or expenses, which are an integral part of the effective interest rate. Amortization based on the use of an effective interest rate is included in the financial income in the statement of income. Losses due to impairment are recognized in the income statement as a component of financing costs in the case of loans or other operating expenses in the case of accounts receivable.

Accounts receivable for which interest is not accrued is shown at nominal value. The recognized reserve is measured as the difference between the carrying amount of the asset and the present value of expected future cash flows discounted at the effective interest rate calculated at the time of initial recognition. This category includes trade and other receivables, including loans granted.

Cash and cash equivalents

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

Trade and other payables

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

Estimated fair value.

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

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

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

Share Capital and Premium

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

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Provisions

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

Inventories

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

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

Impairment of non-financial assets

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

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

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

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

Foreign currency transactions and translation to presentation currency

(1) Transactions and balances

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

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Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

(2) Translation to presentation currency

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

Contingent assets and liabilities

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

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

Transactions with related parties

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

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

(a) A person or a close member of that person's family is related to a reporting entity if that person: has control or joint control over the reporting entity;

has significant influence over the reporting entity; or is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

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

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

Both entities are joint ventures of the same third party.

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

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

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

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

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Comparatives

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

4. Financial risks management

Factors of financial risks

The Group is exposed to financial risks, namely, market price risk, interest rate risk, credit risk, liquidity risk, currency risk, operational risk, compliance risk, litigation risk, reputation risk and other risks arising from the Group's activities.

The Group's overall risk management programme is concentrated on uncertainties of financial markets and targeted at minimisation of potential negative consequences

The Group's risk management policy is presented below.

4.1. Financial instruments by category

	Available-for-sale financial assets	Fair value through profit or loss	Loans and receivable	Total
31 December 2018				
Assets as per statement of financial position:				
Trade and other receivables	-	-	2 149	2 149
Prepayments and other current assets	-	-	1 326	1 326
Cash and cash equivalents	-	244	-	244
Total:	-	244	3 475	3 719

	Fair value through profit or loss	Borrowings and other financial liabilities	Total
31 December 2018			
Liabilities as per statement of financial position:			
Loans and borrowings	-	2 173	2 173
Trade payables	-	3 654	3 654
Advances received and other liabilities	-	388	388
Total:	-	6 215	6 215

	Available-for-sale financial assets	Fair value through profit or loss	Loans and receivable	Total
31 December 2017				
Assets as per statement of financial position:				
Trade and other receivables	-	-	1 461	1 461
Prepayments and other current assets	-	-	736	736
Cash and cash equivalents	-	58	-	58
Total:	-	58	2 197	2 255

	Fair value through profit or loss	Borrowings and other financial liabilities	Total
31 December 2017			
Liabilities as per statement of financial position:			
Loans and borrowings	-	1 459	1 459
Trade payables	-	2 638	2 638
Advances received and other liabilities	-	306	306
Total:	-	4 403	4 403

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4.2 Interest rate risk

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

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

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

	31.12.2018	31.12.2017
Financial liabilities	2 173	1 459

4.3 Foreign currency risk

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

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

	2018		2017	
	Assets	Liabilities	Assets	Liabilities
USD	4	-	683	5 880
EUR	240	-	6	315
UAH	-	-	-	-
	244	-	689	6 195

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

	Increase/ decrease in rate,	Effect on profit or loss before tax
2018		
USD	+10%	(9)
USD	-10%	9
EUR	+10%	(14)
EUR	-10%	14
2017		
USD	+10%	(520)
USD	-10%	520
EUR	+10%	(31)
EUR	-10%	31

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4.4 Market price

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

4.5 Credit risk

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

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

4.6 Liquidity risk

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

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

4.7 Capital management

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

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

	2018	2017
Loans and borrowings (note 22)	2 173	1 459
Trade and other payables	3 475	2 197
Advances received and other liabilities		
Cash and cash equivalents (note 19)	244	58
Net debt	5 892	3 714
Equity	2 206	2 043
Equity and net debt	8 098	5 757
Leverage	72.8%	64.5%

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4.8 Operational risk

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

4.9 Compliance risk

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

4.10 Litigation risk

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

4.11 Reputation risk

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

4.12 Other risk

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

5. Significant accounting judgements, estimates and assumptions

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

Judgements

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

Method of effective interest

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

Provisions for unused vacation

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

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Measurement of issued loans at amortised cost

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

Taxes

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

Provision for obsolete and slow-moving inventory

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

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

6. Sales revenue

	2018	2017
Sales proceeds of finished production	17 047	17 293
Sales of goods	1 067	1 205
Sales proceeds of services	345	117
	18 459	18 616

7. Cost of sales

	2018	2017
Cost of sales of finished production	13 751	14 211
Cost of goods	712	754
Cost of sales of services	253	248
	14 717	15 212

8. Administrative expenses

	2018	2017
Salary and related charges	88	97
Services banks	49	64
Information and advice	5	3
Repairs	26	32
Mail services and communication	14	18
Auditors' remuneration	-	14
Other professional fees	72	303
Other	96	132
	350	664

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9. Selling expenses

	2018	2017
Transportation	1 599	1 367
Salary and related charges	141	133
Marketing costs	17	116
Customs clearance	14	52
Electric power	3	-
Permission and quality documentation	52	44
Containers and packaging	76	57
Repairs and maintenance	25	31
Other	810	275
	2 736	2 074

10. Other expenses

	2018	2017
Doubtful debts	(2)	149
Loss of the right to a tax credit	8	22
Fines, penalties	49	5
Other expenses	755	2 207
	810	2 383

11. Other income

	2018	2017
Net foreign exchange gains	359	615
Gain from surpluses found during stocktaking	85	128
Gain from sale of fixed assets and inventories	199	796
Trade payables write-off	5	58
Other income	35	609
	683	2 207

12. Finance expenses

	2018	2017
Other financial expenses	319	5
Interest expenses		241
	319	246

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13. Income tax expenses

	2018	2017
Current income tax expense	37	80
Deferred income tax	4	3
	41	83

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

As at 31 December 2018 and 2017 the Group's deferred taxes were the following:

	2018	Currency translation differences	Change in the expected tax rate	Origin and reversal of temporary differences	2017
Deferred tax asset	-	-	-	-	-
Advances received	-	-	-	-	-
Provision for unused vacations	-	-	-	-	-
Provision for trade and other receivable	-	-	-	-	-
Deferred tax liability	(3)	-	-	-	(3)
Property, plant and equipment	-	-	-	-	-
Provision for unused vacations	-	-	-	-	-
Provision for trade and other receivable	(3)	-	-	-	(3)
	(3)	-	-	-	(3)
	2017	Currency translation differences	Change in the expected tax rate	Origin and reversal of temporary differences	2016
Deferred tax asset	-	-	-	-	-
Advances received	-	-	-	-	-
Provision for unused vacations	-	-	-	-	-
Provision for trade and other receivable	-	-	-	-	-
Deferred tax liability	(3)	-	-	-	(3)
Property, plant and equipment	-	-	-	-	-
Provision for unused vacations	-	-	-	-	-
Provision for trade and other receivable	(3)	-	-	-	(3)
	(3)	-	-	-	(3)

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

	2018	2017
Deferred tax asset	-	-
Deferred tax liability	(3)	(3)
	(3)	(3)

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14. Property, plant and equipment and construction in process

	2018	2017
Property, plant, and equipment	2 007	1 478
Construction in process	198	82
	2 205	1 560

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

	Buildings	Plant and equipment	Vehicles	Other PPE	Total
<i>Cost or deemed cost</i>					
As of 31 December 2016	311	1 284	20	29	1 644
Additions	-	342	39	1	382
Disposals	(18)	(1)	(1)	-	(20)
Currency translation difference	(32)	(89)	(7)	-	(129)
As of 31 December 2017	262	1 535	51	30	1 877
Additions	567	124	163	8	862
Disposals	-	-	-	-	-
Currency translation difference	(1)	-	-	-	-
As of 31 December 2018	828	1 659	214	38	2 739
<i>Accumulated depreciation</i>					
As of 31 December 2016	50	190	6	7	253
Depreciation for the period	29	110	3	4	146
Disposals	-	-	-	-	-
Currency translation difference	-	-	-	-	-
As of 31 December 2017	79	300	9	11	399
Depreciation for the period	51	274	8	-	333
Disposals	-	-	-	-	-
Currency translation difference	-	-	-	-	-
As of 31 December 2018	130	574	17	11	732
<i>Net book value</i>					
As of 31 December 2016	261	1 094	14	22	1 391
As of 31 December 2017	183	1 236	41	19	1 478
As of 31 December 2018	698	1 085	197	27	2 007

Revaluation

As at 1 January 2011 the Group carried buildings, plant and equipment and vehicles at historic values determined by accredited independent appraiser.

The fair values of buildings, plant and equipment and vehicles is determined by reference to market based evidence using the comparison and cost methods. This means that valuations performed by the valuer are based on active market prices, adjusted for any difference in the nature, location or condition of the specific asset. The fair value of buildings, plant and equipment and vehicles as deemed cost is recognised at the date of transition to IFRS in accordance with IFRS 1. The amount of revaluation adjusted for deferred tax effect of revaluation is transferred to retained earnings on the date of transition.

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15. Intangible assets

	2018	2017
Intangible assets:		
at cost	86	74
amortisation	(50)	(34)
	<u>36</u>	<u>40</u>

16. Inventories

	2018	2017
Raw materials	1 087	1 559
Finished goods	1 068	763
Construction materials	40	24
Spare parts	115	79
Other inventory	156	169
	<u>2 465</u>	<u>2 594</u>

17. Trade and other receivables

	2018	2017
Trade receivables	2 014	1 416
Provision for doubtful debts	(12)	(17)
Other receivables	146	62
	<u>2 149</u>	<u>1 461</u>

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

18. Prepayments and other current assets

	2018	2017
Prepayments	860	360
Income tax receivables	(7)	(6)
VAT receivables	450	337
Other taxes receivables	14	46
Other currents assets	8	-
	<u>1 326</u>	<u>736</u>

19. Cash and cash equivalents

	2018	2017
Cash in hand	4	2
Cash at bank	240	56
	<u>244</u>	<u>58</u>

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20. Share capital

	2018		2017	
	Number of shares	€	Number of shares	€
Authorised				
Ordinary shares of €0,03 each	2.001.000	60	2.001.000	60
Issued and fully paid				
Balance at 1 January	1.780.000	53	1.780.000	53
Balance at 31 December	1.780.000	53	1.780.000	53

Authorised capital

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

Issued capital

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

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

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

During 2018 and 2017 there were no changes in issued capital and in the amount of floated shares.

21. Share premium

	Share premium	Total
Balance at 31 December 2017 / 1 January 2018	111	111
Balance at 31 December 2018	111	111

22. Loans and borrowings

	2018	2017
Current		
Interest-bearing loans and borrowings current	1 788	1 459
Overdraft	385	-
	2 173	1 459

	Contractual interest rate per annum	Maturity	Liabilities
2018			
Fixed rate UAH	flexible	overdraft	278
Fixed rate UAH	19.75%	overdraft	107
Fixed rate UAH	flexible	2020	1 765
Fixed rate USD	flexible	2020	23
			2 173
2017			
Fixed rate UAH	flexible	overdraft	340
Fixed rate UAH	17.5%	overdraft	44
Fixed rate UAH	flexible	2020	42
Fixed rate USD	flexible	2020	1 033
			1 459

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23. Trade and other payables

	2018	2017
Trade payables	3 653	2 638
	3 653	2 638

24. Advances received and other liabilities

	2018	2017
Advances received from customers	231	251
Employee benefit liabilities	20	11
Social insurance	(1)	1
Payables for unused vacations	24	18
Other taxes payable	113	25
	388	306

The fair value of trade and other payables to one year approximately equals to their fair value.

25. Transactions with key management personnel

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

The ultimate controlling parties of the Group are Mr. Vlasenko A., Mr. Vlasenko A., Mr. Slavgorodskiy A., Mr. Dobruskin I. and Ms. Steshenko V.

Below is the table of distribution of shares in the authorized capital:

Stockholder	Number of shares	Participation in share capital
Mr. Vlasenko A.	597 002	33,54%
Mr. Vlasenko O.	532 723	29,93%
Mr. Slavgorodskiy A.	532 723	29,93%
Mr. Dobruskin I.	97 830	5,5%
Ms. Steshenko V.	19 722	1,1%
Total	1 780 000	100%

The % of Company's shares which is floated on the stock exchange is 1,1%.

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

	Repayment of raised loans	Raising of loans	Purchases of goods and services	Sales of goods and services
2018				
Entities under common control	1	13	233	-
Key management personnel	-	-	1 152	-
	1	13	1385	-
2017				
Entities under common control	-	-	519	32
Key management personnel	433	433	3 381	825
	433	433	3 900	857

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The outstanding balances due from/to related parties as at 31 December 2018 and 2017 were follows:

	Advances received and other current liabilities	Prepayments and other current assets	Trade and other payables	Trade and other receivables
2018				
Entities under common control	12	-	623	-
Key management personnel	-	-	2 330	-
	-	-	2 953	-
2017				
Entities under common control	-	61	430	9
Key management personnel	-	-	1 793	-
	-	61	2 223	9

26. Commitments and contingencies

Legal claims

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

27. Events after the reporting period

We draw attention to the extremely difficult economic and political situation in Ukraine which can affect the assets and liabilities of the Group. The current devaluation of the national currency of Ukraine has a direct dependence on the structural problems of the economy of Ukraine and overcome of this trend is associated with the modernization of the economy and diversification of the major export channels of foreign currency earnings. These problems give grounds for prediction that Ukraine is expected the pre-default state without dosed financial assistance. Dependence of the functioning of the economy from attracted funds at this moment is critical.

Component OLIMP, LLC signed a loan agreement №04/K/37/18 from 14.12.2018, with JSC MOTOR BANK – (Lender), OLIMP LLC – (borrower).

In compliance with the clause of p.1.1

In compliance with a loan and on its terms, the Lender provides the Borrower with funds in the form of a revocable multicurrency credit line in the amount of 900,000 USD.

loan up to 30/06/2020.

loan purpose - funds added to current assets.

Credit interest rate

7% per cent per annum for USD

19% per cent per annum for UAH

As at 31/05/2019, the amount has received from the lender was equal to 470 000 USD.

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

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28. Auditor's fees

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

Auditor's fees	2018	2017
Kreston GCG Audit LLC	9	8
Euroglobal S.E.E. Audit Ltd	-	4
Kreston Proios Ltd	12	-
Total	21	12

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

29. Personnel and staff costs

29.1 Headcount

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

29.1 Headcount	2018	2017
Olimp LLC	322	297
Cereal Ukraine LLC	-	1
Cereal Planet PLC	-	1
Total	322	299

29.2 Staff costs

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

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

29.1 Staff costs	2018	2017
Wages and salaries	538	180
Social security costs	115	19
Pension costs	-	50
Total	654	249

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