

AGROTON PUBLIC LIMITED

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

AGROTON PUBLIC LIMITED

C O N T E N T S

	<u>Pages</u>
Officers and Professional Advisors	1
Declaration of the Members of the Board of Directors and the Company official responsible for the preparation of the consolidated financial statements	2
Management Report	3 - 8
Consolidated statement of profit or loss and other comprehensive income	9
Consolidated statement of financial position	10
Consolidated statement of changes in equity	11 - 12
Consolidated statement of cash flows	13 - 14
Notes to the consolidated financial statements	15 - 90

AGROTON PUBLIC LIMITED**OFFICERS AND PROFESSIONAL ADVISORS**

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

AGROTON PUBLIC LIMITED

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

In accordance with article 9(3)(c) and (7) of the Transparency Requirements (Securities Listed for Trading on a Regulated Market) Law of 2007 (the “Law”), as amended from time to time, we, the Members of the Board of Directors and the Company official responsible for the preparation of the consolidated financial statements of Agroton Public Limited (the “Company”) for the year ended 31 December 2019, confirm that to the best of our knowledge:

- a) the annual consolidated financial statements presented on pages 9 to 90:
 - i) have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and the provisions of article (9), section (4) of the Law, and
 - ii) give a true and fair view of the assets and liabilities, the financial position and the profits or losses of Agroton Public Limited and of the entities included in the consolidated financial statements, as a whole and
- b) the Management Report provides a fair review of the developments and performance of the business as well as the position of Agroton Public Limited and of the entities included in the consolidated financial statements, as a whole, together with a description of the major risks and uncertainties that they face.

Members of the Board of Directors:

Iurii Zhuravlov	signed
Tamara Lapta	signed
Larysa Orlova	signed
Borys Supikhanov	signed
Volodymyr Kudryavtsev	signed

Company official responsible for the preparation of the consolidated financial statements of the Company for the year ended 31 December 2019:

Larysa Orlova	signed
---------------	--------

Nicosia, 30 June 2020

AGROTON PUBLIC LIMITED

MANAGEMENT REPORT

The Board of Directors of Agroton Public Limited (the “Company”) presents to the members its annual report together with the consolidated financial statements of the Company and of its subsidiary companies (together with the Company, the “Group”) for the year ended 31 December 2019.

INCORPORATION AND PRINCIPAL ACTIVITIES

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

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

FINANCIAL RESULTS

The financial results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 9 to the consolidated financial statements.

The profit for the year attributable to the owners of the Company amounted to USD 5 183 thousand (2018: profit of USD 13 518 thousand).

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

The Group recorded a profit of USD 5 185 thousand compared to USD 13 534 the previous year.

The total Group's revenue for 2019 amounted to USD 54 376 thousand as compared to USD 57 189 thousand in 2018, recording a decrease of 5%, being a combination of increase in sales volume of agricultural crops and products by 28% mainly due to higher harvest yields in 2019 offset by a decline in market prices. The strengthening of Ukrainian Hryvnia (UAH) against USD Dollar (USD) in the second half of 2019 made exports of vegetable oil and meal less profitable than sales of sunflower seeds which impacted the re-allocation of external revenue between the Plant breeding segment and the Vegetable oil and meal segment. The decrease in exports also resulted in reduction of transportation costs within distribution expenses.

The decline in market prices for agricultural crop products in 2019 substantially reduced the fair value gains recognised on agricultural produce at the point of harvest narrowed the gross profit as compared to 2018.

The strengthening of UAH against USD, mentioned above, also resulted in net foreign exchange gains of USD 10 779 thousand (2018: USD 814 thousand). In addition, net finance income was impacted by the increase in interest expense by USD 3 689 thousand in respect of lease liabilities recognised as a result of the adoption of IFRS 16 "Leases" (note 3.1).

The change in financial position during 2019 was mainly impacted by the adoption of IFRS 16 "Leases" which resulted in the derecognition of land lease rights and recognition of right-of-use assets and related lease liabilities (note 3.1), full repayment of Notes payable (note 28) and investment in US Treasury notes (note 20).

AGROTON PUBLIC LIMITED

MANAGEMENT REPORT (cont.)

EXAMINATION OF THE DEVELOPMENT, POSITION AND PERFORMANCE OF THE ACTIVITIES OF THE GROUP (cont.)

As a result of the above developments, the net asset position of the Group has increased from USD 88 078 thousand as at 31 December 2018 to USD 86 809 thousand as at 31 December 2019.

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

DIVIDENDS

The Board of Directors does not recommend the payment of a dividend (2018: USD nil).

FUTURE DEVELOPMENTS

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

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Group and the steps taken to manage these risks are described in notes 34 and 36 to the consolidated financial statements.

Political and social events of the beginning of 2014 resulted in the loss of control by Ukraine over the territory of the Crimea and part of the Donetsk and Lugansk regions and triggered an economic crisis causing a fall in the country's gross domestic product (GDP) and foreign trade, deterioration in state finances, depletion of the National Bank of Ukraine's (NBU) foreign currency reserves, significant devaluation of the national currency and a further downgrading of the Ukrainian sovereign debt credit ratings. Following the devaluation of the national currency, NBU introduced certain administrative restrictions on currency conversion transactions, which among others included restrictions on purchases of foreign currency by individuals and companies, the requirement to convert large part of foreign currency proceeds to local currency, restrictions on payment of dividends abroad, a ban on early repayment of foreign loans and restrictions on cash withdrawals from banks.

During 2015 and 2016 the anti-crisis measures undertaken by the Ukrainian government and NBU as well as financing through the extended fund facilities (EFF) agreed with International Monetary Fund (IMF) enabled the country to achieve a certain level of economic and political stability and provided the basis for economic recovery on the territory controlled by Ukraine. In 2016 and 2017 Ukraine's GDP grew by 2.3% and 2.5% respectively. This allowed NBU to ease some foreign exchange restrictions imposed since 2014, including a decrease in the share of the mandatory foreign currency conversion and permission of dividends remittance. However, certain other restrictions were prolonged.

Signs of economic recovery demonstrated in prior year continued in 2018, with inflation reducing to 9.8% from 13.7% in 2017 and GDP showing a gradual growth of 3.4% (2017: 2.5%), level of deposits in the banking sector growing, losses of the corporate and banking sectors decreasing. During 2019 the Ukrainian economy continued its growth with GDP increasing by 3.2% , inflation being 4.1% and Ukrainian Hryvnia appreciating against US Dollar by 14.5% on annual average basis. In view of these developments and in order to support international investments and trade, NBU withdrew all its requirements on mandatory sale of foreign currency proceeds and removed all its restrictions on remittance of dividends.

AGROTON PUBLIC LIMITED**MANAGEMENT REPORT (cont.)****PRINCIPAL RISKS AND UNCERTAINTIES (cont.)**

The presidential and parliamentary elections held in Ukraine in 2019 brought a new team of leaders to power, who declare liberal economic views and recognize the need to continue reforms. Further economic development depends on the successful implementation of planned reforms and cooperation with IMF.

On 11 March 2020, the World Health Organisation declared the Coronavirus COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe. Many governments are taking increasingly stringent steps to help contain, and in many jurisdictions, now delay, the spread of the virus, including: requiring self-isolation/ quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and “locking-down” cities/regions or even entire countries. These measures have slowed down both the broader Cyprus and world economies and the operations of the Group. As at the date of release of the consolidated financial statements the Group continues its operating activities without major disruptions: preparations for sowing campaign are performed as planned, new volumes of agroproduce have been contracted with customers. Therefore, unless the situation changes, the Group does not plan any significant adjustments to its annual budgeted numbers for the year ended 31 December 2020.

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

SHARE CAPITAL

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

The Company lost over 50% of its issued share capital. According to the provisions of Section 169F of the Companies Law, Cap. 113, the Board of Directors is expected to convene an extraordinary general meeting in order to consider whether the Company should continue its operations for the achievement of its objectives or take any other measures to the contrary.

STATEMENT ON CORPORATE GOVERNANCE

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

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

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

AGROTON PUBLIC LIMITED

MANAGEMENT REPORT (cont.)

STATEMENT ON CORPORATE GOVERNANCE (cont.)

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

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

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

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

	Emoluments	Other benefits	Total
	USD	USD	USD
Iurii Zhuravlov	5 462 957	-	5 462 957
Tamara Lapta	556 777	-	556 777
Larysa Orlova	609 493	-	609 493
Borys Supakhanov	-	-	-
Volodymyr Kudryavtsev	-	-	-

The interest in the Company's share capital held directly or indirectly by each member of the Board of Directors at 31 December 2019 and at 30 June 2020 are disclosed below.

The owners holding directly or indirectly more than 5% interest in the Company's share capital at 31 December 2019 and at 30 June 2020 are disclosed below.

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

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

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

AGROTON PUBLIC LIMITED

MANAGEMENT REPORT (cont.)

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

The owners holding directly or indirectly more than 5% interest in the Company's share capital at 31 December 2019 and at 30 June 2020 were as follows:

	31 December 2019	30 June 2020
	%	%
Iurii Zhuravlov	77,77	77,77
Other	22,23	22,23

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

DIRECTORS' INTEREST IN THE COMPANY'S SHARE CAPITAL

In accordance with Article 4(b) of the Cyprus Securities and Exchange Commission Directive the interest in the Company's share capital held directly or indirectly by each member of the Board of Directors at 31 December 2019 and at 30 June 2020 were as follows:

	31 December 2019	30 June 2020
	%	%
Iurii Zhuravlov	77,77	77,77
Tamara Lapta	-	-
Larysa Orlova	-	-
Borys Supikhanov	-	-
Volodymyr Kudryavtsev	-	-

BOARD OF DIRECTORS

The members of the Board of Directors at 31 December 2019 and at the date of this report are presented on page 1.

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

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

AUDIT COMMITTEE AND REMUNERATION COMMITTEE

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

The Audit Committee and Remuneration Committee, were established on 4 May 2010 both of which were in force during the year ended 31 December 2019 and continued in force at the date of this report.

AGROTON PUBLIC LIMITED**MANAGEMENT REPORT (cont.)****AUDIT COMMITTEE AND REMUNERATION COMMITTEE (cont.)**

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

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

EVENTS AFTER THE REPORTING PERIOD

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

BRANCHES

The Group did not operate through any registered branches during the year ended 31 December 2019.

RELATED PARTY BALANCES AND TRANSACTIONS

Disclosed in note 32 to the consolidated financial statements.

By order of the Board of Directors,

signed

Larysa Orlova
Director

Nicosia, 30 June 2020

AGROTON PUBLIC LIMITED

	Note	2019	2018
Continuing operations			
Revenue	5	54 376	57 189
Cost of sales	6	(60 582)	(59 576)
Net change in fair value less cost to sell of biological assets and agricultural produce	7	16 580	22 349
Gross profit		10 374	19 962
Other operating income	8	324	354
Administrative expenses	9	(9 793)	(4 367)
Distribution expenses	10	(812)	(1 709)
Other operating expenses	11	(4 397)	(2 718)
Operating (loss)/ profit	12	(4 304)	11 522
Impairment losses on loans, trade and other receivable		-	(964)
Fair value gains/ (losses) on financial assets at fair value through profit or loss		301	(94)
		(4 003)	10 464
Finance income	13	13 056	3 717
Finance costs	13	(3 727)	(462)
Net finance income		9 329	3 255
Profit before taxation		5 326	13 719
Taxation		(141)	(185)
Profit for the year		5 185	13 534
Other comprehensive expense			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Effect of translation into presentation currency		(2 801)	(388)
Total comprehensive income		2 384	13 146
Profit attributable to:			
Owners of the Company		5 183	13 518
Non-controlling interests		2	16
		5 185	13 534
Total comprehensive income attributable to:			
Owners of the Company		2 360	13 130
Non-controlling interests		24	16
		2 384	13 146
Profit per share			
Basic and fully diluted profit per share (USD)	31	0,24	0,62

AGROTON PUBLIC LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITIONAs at 31 December 2019*(in USD thousand, unless otherwise stated)*

	Note	2019	2018
Assets			
Property, plant and equipment	16	20 884	14 132
Right-of-use assets	17	18 819	-
Intangible assets	18	38	3 694
Biological assets	19	1 141	1 452
Non-current assets		40 882	19 278
Inventories	22	20 180	24 289
Biological assets	19	9 107	8 777
Investments designated at fair value through profit or loss	20	9 264	141
Trade and other receivables	23	4 508	5 429
Loans receivable	21	18 549	16 274
Assets held for sale	26	20	17
Cash and cash equivalents	25	11 938	24 881
Current assets		73 566	79 808
Total assets		114 448	99 086
Equity			
Share capital	27	661	661
Share premium	27	88 532	88 532
Accumulated loss		(8 253)	(9 783)
Foreign currency translation reserve		5 595	8 418
Equity attributable to owners of the Company		86 535	87 828
Non-controlling interests		274	250
Total equity		86 809	88 078
Liabilities			
Lease liabilities	29	15 389	-
Non-current liabilities		15 389	-
Lease liabilities	29	4 895	-
Loans and borrowings	28	127	7 865
Trade and other payables	30	6 754	2 797
Income tax liability		463	337
Liabilities held for sale	26	11	9
Current liabilities		12 250	11 008
Total liabilities		27 639	11 008
Total equity and liabilities		114 448	99 086

On 30 June 2020 the Board of Directors of Agroton Public Limited approved and authorised these consolidated financial statements for issue.

signed

 Tamara Lapta
 Deputy Chief Executive Officer

signed

 Larysa Orlova
 Chief Financial Officer

The notes on pages 15 to 90 are an integral part of these consolidated financial statements.

AGROTON PUBLIC LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITYFor the year ended 31 December 2019*(in USD thousand, unless otherwise stated)*

	Attributable to owners of the Company					
	Share capital	Share premium	Accumulated loss	Foreign currency translation reserve	Total	Non-controlling interests
						Total equity
Balance at 1 January 2018	661	88 532	(23 301)	8 806	74 698	234
Total comprehensive income						
Profit for the year	-	-	13 518	-	13 518	16
Other comprehensive expense	-	-	-	(388)	(388)	-
Other comprehensive expense for the year	-	-	13 518	(388)	13 130	16
Balance at 31 December 2018	661	88 532	(9 783)	8 418	87 828	250
Balance at 1 January 2019	661	88 532	(9 783)	8 418	87 828	250
Adjustments on initial application of IFRS 16	-	-	(3 653)	-	(3 653)	-
Adjusted balance at 1 January 2019	661	88 532	(13 436)	8 418	84 175	250
Total comprehensive income						
Profit for the year	-	-	5 183	-	5 183	2
Other comprehensive expense for the year	-	-	-	(2 823)	(2 823)	22
Total comprehensive income for the year	-	-	5 183	(2 823)	2 360	24
Balance at 31 December 2019	661	88 532	(8 253)	5 595	86 535	274

The notes on pages 15 to 90 are an integral part of these consolidated financial statements.

AGROTON PUBLIC LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont.)

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

- In accordance with the Cyprus Companies Law, Cap. 113, Section 55 (2) the share premium reserve can only be used by the Company in (a) paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares; (b) writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (c) providing for the premium payable on redemption of any redeemable preference shares or of any debentures of the Company.
- Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 17% will be payable on such deemed dividend to the extent that the owners (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the Company for the account of the owners.

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

AGROTON PUBLIC LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

	Note	2019	2018
Cash flows from operating activities:			
Profit for the year		5 185	13 534
Adjustments for:			
Depreciation	15	6 245	1 470
Amortisation	15	9	1 115
Fair value losses on financial assets at fair value through profit or loss		(301)	94
Wastages and impairment of inventories	11	3 629	2 211
Gain from changes in fair value less cost to sell of biological assets and agriculture produce	7	(16 580)	(22 349)
Impairment of loans receivable		-	931
Impairment of trade and other receivables	24	9	42
Reversal of provision for bad debts	24	(54)	-
Reversal of impairment of PPE	16	(3)	(20)
Interest income	13	(2 277)	(2 903)
Interest expense	13	3 727	462
Trade payables written-off	8	(4)	(102)
Loss on disposal of property, plant and equipment	11	11	57
Loss on disposal of current assets	11	15	22
Loss on disposal of land lease rights	11	-	9
Foreign exchange gain	13	(10 779)	-
Income tax expense		141	185
Cash flow used in operations before working capital changes		(11 027)	(5 242)
Decrease in inventories		22 081	24 119
Increase in biological assets		54	(2 734)
Decrease/(increase) in trade and other receivables		1 969	(195)
(Decrease)/increase in trade and other payables		3 208	1 667
Net cash from operating activities		16 285	17 615
Income tax paid		(15)	-
Net cash from operating activities		16 270	17 615
Cash flow from investing activities			
Acquisition of property, plant and equipment	16	(6 321)	(6 564)
Acquisition of intangible assets	18	-	(42)
Proceeds from disposal of property, plant and equipment		9	-
Acquisition of investments at FVTPL		(8 821)	-
Interest received		2	-
Net cash used in investing activities		(15 131)	(6 606)

The notes on pages 15 to 90 are an integral part of these consolidated financial statements.

AGROTON PUBLIC LIMITED**CONSOLIDATED STATEMENT OF CASH FLOWS** (cont.)For the year ended 31 December 2019*(in USD thousand, unless otherwise stated)*

	Note	2019	2018
Cash flows from financing activities			
Repayment of principal portion of lease liabilities		(2 528)	-
Repayment of interest portion of lease liabilities		(3 689)	-
Repayment of loans and borrowings		(7 777)	(2 492)
Net cash used in financing activities		(13 994)	(2 492)
Net increase in cash and cash equivalents		(12 855)	8 517
Cash and cash equivalents at the beginning of the year		24 881	17 481
Effect from translation into presentation currency		(88)	(1 117)
Cash and cash equivalents at the end of the year	25	11 938	24 881

The notes on pages 15 to 90 are an integral part of these consolidated financial statements.

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

1. GENERAL INFORMATION

Country of incorporation

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

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

Principal activities

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

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

Company name	Country of incorporation	Ownership Interest	Ownership Interest
		31.12.2019	31.12.2018
Living LLC	Ukraine	99,99 %	99,99 %
PE Agricultural Production Firm Agro	Ukraine	99,99 %	99,99 %
Agroton PJSC	Ukraine	99,99 %	99,99 %
OJSC Belokurakinskiy Elevator	Ukraine	99,99 %	99,99 %
Agro Meta LLC (i)	Ukraine	99,99 %	99,99 %
Rosinka-Star LLC	Ukraine	99,99 %	99,99 %
Etalon-Agro LLC (i)	Ukraine	99,99 %	99,99 %
ALLC Noviy Shlyah	Ukraine	99,99 %	99,99 %
ALLC Shiykivske	Ukraine	94,59 %	94,59 %
Agro-Chornukhinski Kurchata LLC	Ukraine	99,89 %	99,89 %
Agro-Svinprom LLC (ii)	Ukraine	99,89 %	99,89 %
Agroton BVI Limited	British Virgin Islands	100,00 %	100,00 %
Gefest LLC (i)	Ukraine	100,00 %	100,00 %
LLC Lugastan	Ukraine	99,99 %	99,99 %
LLC Siverskiy Elevator	Ukraine	100,00 %	100,00 %

(i) Agro Meta LLC, Etalon-Agro LLC, and Gefest LLC are in the process of liquidation.

(ii) In July 2011 the management of Living LLC resolved to dispose subsidiary of the Group namely Agro-Svinprom LLC engaged in the pig-breeding.

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

1. GENERAL INFORMATION (cont.)

The shares at 31 December 2019 and as at the date of issue of these consolidated financial statements were distributed as follows:

	31 December 2019		30 June 2020	
Shareholder	Number of Shares	Ownership interest, %	Number of Shares	Ownership interest, %
Mr. Iurii Zhuravlov	16 851 979	77,77 %	16 851 979	77,77 %
Others	4 818 021	22,23 %	4 818 021	22,23 %
	<u>21 670 000</u>	<u>100,00 %</u>	<u>21 670 000</u>	<u>100,00 %</u>

2. BASIS OF PREPARATION

These consolidated financial statements of the Company as at and for the year ended 31 December 2019 comprise the financial statements of the Company and its subsidiaries (together with the Company, the "Group").

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

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), as adopted by the European Union ('EU'), and the requirements of the Cyprus Companies Law, Cap. 113, and are for the year ended 31 December 2019.

2.2 Basis of measurement

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

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

2 . BASIS OF PREPARATION (cont.)

2.3 Functional and presentation currency

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

2.4 Going concern basis

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

2.5 Standards and interpretations

Adoption of new and revised International Financial Reporting Standards and Interpretations

As from 1 January 2019, the Group adopted all changes to International Financial Reporting Standards (IFRSs) as adopted by EU which are relevant to its operations. The adoption of these standards, amendments and interpretations did not have a material effect on the consolidated financial statements of the Group, except IFRS 16 "Leases". The effect from the adoption of IFRS 16 on Group's accounting policies is described in note 3.1.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted them in preparing these consolidated financial statements. None of these standards and amendments are expected to have a material impact of the Group's consolidated financial statements.

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Changes in significant accounting policies

The Group has initially adopted IFRS 16 "Leases" from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's consolidated financial statements.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

a) Definition of a lease

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

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

b) As a lessee

The Group leases plough-land from individuals. The Group previously classified leases as operating leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

Leases classified as operating leases under IAS 17

Previously, the Group classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Group applied this approach to all other leases.

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.1 Changes in significant accounting policies (cont.)

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

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

c) As a lessor

The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. The Group is not required to make any adjustments on transition to IFRS 16 in which it acts as a lessor.

d) Impacts on consolidated financial statements

i) Impact on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, and derecognised previously capitalised land lease rights, with the resulting difference being recorded in retained earnings. The impact on transition is summarised below:

Financial statements captions	1 January 2019
Right-of-use assets in relation to land leases	19 390
Lease liabilities	(19 390)
Intangible assets - land lease rights	(3 653)
Retained earnings	(3 653)

When measuring lease liabilities for leases that were classified as operating lease, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 17.6%.

As at 31 December 2018 the Group had the contractual obligations under operating land lease agreements in the amount of USD 26 888 thousand.

ii) Impact for the period

For impact of IFRS 16 application on the reporting period refer the following notes:

- note 17 and note 15 for depreciation of right-of-use assets;
- note 13 for interest expense on lease liabilities

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.2 Basis of consolidation

Subsidiaries

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

Business combinations

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

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.2 Basis of consolidation (cont.)

Business combinations (cont.)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

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

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

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

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

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.2 Basis of consolidation (cont.)

Business combinations (cont.)

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

Non-controlling interest (NCI)

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

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

3.3 Foreign currency translation

(a) Transactions and balances

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

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

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

Currency	31 December 2019	Weighted average for the year 2019	31 December 2018	Weighted average for the year 2018
US dollar - UAH	23,6862	25,8373	27,6883	27,2016

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

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.3 Foreign currency translation (cont.)

(b) Presentation currency

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

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

3.4 Property, plant and equipment

Initial recognition of property, plant and equipment ("PPE")

Property plant and equipment is recognised by the Group as an asset only when:

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

Expenses after the initial recognition of property, plant and equipment

Any subsequent expenses, increasing the future economic benefits from the asset, are treated as additions. Otherwise, the Group recognises subsequent expenses to profit or loss of the year, in which they are incurred. The Group divides all expenses, related to the property, plant and equipment, into the following types:

- current repairs and expenses for maintenance and technical service;
- capital impairment, including modernisation.

Subsequent measurement of property, plant and equipment

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.4 Property, plant and equipment (cont.)

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

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

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

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

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

Derecognition

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

Impairment

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

Assets under construction

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.5 Intangible assets

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

Computer software

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

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

Land lease rights - policy applicable before 1 January 2019

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

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

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

As a result of IFRS 16 adoption, land lease rights were derecognised on 1 January 2019. For details of changes in the accounting policies refer note 3.1.

Derecognition of intangible assets

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.6 Financial instruments

a) Financial assets

(i) Recognition and initial measurement

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

(ii) Classification and subsequent measurement

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.6 Financial instruments (cont.)

a) Financial assets (cont.)

(ii) Classification and subsequent measurement (cont.)

- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.6 Financial instruments (cont.)

a) Financial assets (cont.)

(ii) Classification and subsequent measurement (cont.)

Subsequent measurement and gains and losses

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

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

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

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

(iii) Impairment of financial assets

The Group uses the expected credit loss (ECL) model to measure impairment. The ECL model applies to financial assets measured at amortised cost.

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

Loss allowances are measured on either of the following bases:

- 12-month ECLs; these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs; these are ECLs that result from all possible default events over the expected life of a financial instrument.

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

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.6 Financial instruments (cont.)

a) Financial assets (cont.)

(iii) Impairment of financial assets (cont.)

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

Measurement of ECLs

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

Credit-impaired financial assets

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

Presentation of impairment

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

b) Financial liabilities

(i) Recognition and initial measurement

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

Financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its issue.

(ii) Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.6 Financial instruments (cont.)

b) Financial liabilities (cont.)

(iii) Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

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

3.7 Inventories

The Group identifies the following types of inventories:

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

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

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

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.7 Inventories (cont.)

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

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

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

Impairment of inventories

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

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

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

3.8 Biological assets

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

- (a) current – with useful life of 1 year, including:
 - agricultural crops (winter crops, spring crops and industrial crops);
 - animals in growing and fattening (cattle);
- (b) non-current – with useful life over 1 year:
 - work and productive livestock (cattle, etc.).

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

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.8 Biological assets (cont.)

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

In the absence of an active market, the Group uses one or more of the following indicators to determine the fair value of biological assets:

- price of the most recent transaction in the market, provided that in the period between the date of the transaction and the reporting date there were no significant changes of economic conditions;
- market prices for similar goods;
- sectorial indices.

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

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

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

Biological assets and future harvest costs

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

3.9 Cash and cash equivalents

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.10 Impairment of non-current assets

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

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

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

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

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

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

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

3.12 Value added tax (VAT)

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

The VAT liability is equal to the total amount of VAT accrued during the reporting period and arises at the earlier of goods shipment to the customer or at the date of receipt of payment from the client.

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.12 Value added tax (VAT) (cont.)

VAT credit is the amount by which a taxpayer is entitled to reduce his/her VAT liabilities in the reporting period. The right to VAT credit arises on the earlier of the date of payment to supplier or the date of receipt of goods by the Company.

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

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

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

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

3.13 Income tax

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting period, in the countries where the Group operates and generates taxable income.

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

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.14 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

Information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies is as follows:

Sale of Goods

Customers obtain control of Group's products when the goods are delivered to and have been accepted at a place specified in a sales contract. Invoices are generated at that point in time. Invoices are usually payable within 10 days. No discounts after delivery of goods are provided. Some contracts permit the customer to return an item.

Revenue is recognised when the goods are delivered and have been accepted by customers at a place specified in a sales contract. For contracts that permit the customer to return an item of revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Services

Services comprise storage and handling services, rendering of which is auxiliary to Group's main activities. Invoices are usually issued on a monthly basis and are payable during the period not exceeding 30 days.

Revenue is recognised over time as services are provided. The stage of completion for determining the amount of revenue to recognise is assessed on the basis of the actual service provided as a proportion of the total services to be provided.

3.15 Finance income and costs

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

Finance costs comprise interest expense on borrowings and bank charges.

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

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

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.15 Finance income and costs (cont.)

3.16 Assets held for sale or distribution

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

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

3.17 Leases

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

As a lessee

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.17 Leases (cont.)

Policy applicable from 1 January 2019 (cont.)

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

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straightline basis over the lease term as part of other revenue.

Policy applicable before 1 January 2019

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

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

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.17 Leases (cont.)

Policy applicable before 1 January 2019 (cont.)

Finance leases - The Group as lessee

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

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

Operating leases

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

3.18 Distribution of dividends

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

3.19 Contingent assets and liabilities

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

The Group does not recognize contingent liabilities in financial statements. The Group discloses information about contingent liabilities in the notes to the financial statements unless the probability of outflow of resources required to settle the liability, is unlikely.

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.20 Provisions

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

3.21 Operating segments

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

The Group is organised by reportable segments and this is the primary format for segmental reporting. Each reportable segment provides products or services which are subject to risks and rewards that are different than those of other reportable segments.

The Group presents its geographical analysis for segmental revenue by customer location and for assets based on the asset's location. The Group operates mainly in Ukraine.

3.22 Discontinued operations

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

3.23 Share capital

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

3.24 Employee benefits

Post employee benefits

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

Current employee benefits

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

3.25 Events after the reporting period

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

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (cont.)

4.1 Useful life of property, plant and equipment

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

4.2 Impairment of non-financial assets

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

4.3 Impairment of receivables

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

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

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

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

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

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (cont.)

4.4 Legal proceedings

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

4.5 Impairment of obsolete and surplus inventory

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

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

4.6 Taxation

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

Cyprus taxes

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (cont.)

4.6 Taxation (cont.)

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

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

4.7 Contingent liabilities

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

4.8 VAT

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

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

4.9 Measurement of fair values

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

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

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

Significant valuation issues are reported to the Board of Directors.

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (cont.)

4.9 Measurement of fair values (cont.)

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

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

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

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

4.10 Ukrainian business environment

Political and social events of the beginning of 2014 resulted in the loss of control by Ukraine over the territory of the Crimea and part of the Donetsk and Lugansk regions and triggered an economic crisis causing a fall in the country's gross domestic product (GDP) and foreign trade, deterioration in state finances, depletion of the National Bank of Ukraine's (NBU) foreign currency reserves, significant devaluation of the national currency and a further downgrading of the Ukrainian sovereign debt credit ratings. Following the devaluation of the national currency, NBU introduced certain administrative restrictions on currency conversion transactions, which among others included restrictions on purchases of foreign currency by individuals and companies, the requirement to convert large part of foreign currency proceeds to local currency, restrictions on payment of dividends abroad, a ban on early repayment of foreign loans and restrictions on cash withdrawals from banks.

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (cont.)

4.10 Ukrainian business environment (cont.)

During 2015 and 2016 the anti-crisis measures undertaken by the Ukrainian government and NBU as well as financing through the extended fund facilities (EFF) agreed with International Monetary Fund (IMF) enabled the country to achieve a certain level of economic and political stability and provided the basis for economic recovery on the territory controlled by Ukraine. In 2016 and 2017 Ukraine's GDP grew by 2.3% and 2.5% respectively. This allowed NBU to ease some foreign exchange restrictions imposed since 2014, including a decrease in the share of the mandatory foreign currency conversion and permission of dividends remittance. However, certain other restrictions were prolonged.

Signs of economic recovery demonstrated in prior year continued in 2018, with inflation reducing to 9.8% from 13.7% in 2017 and GDP showing a gradual growth of 3.4% (2017: 2.5%), level of deposits in the banking sector growing, losses of the corporate and banking sectors decreasing. During 2019 the Ukrainian economy continued its growth with GDP increasing by 3.2% , inflation being 4.1% and Ukrainian Hryvnia appreciating against US Dollar by 14.5% on annual average basis. In view of these developments and in order to support international investments and trade, NBU withdrew all its requirements on mandatory sale of foreign currency proceeds and removed all its restrictions on remittance of dividends.

The presidential and parliamentary elections held in Ukraine in 2019 brought a new team of leaders to power, who declare liberal economic views and recognize the need to continue reforms. Further economic development depends on the successful implementation of planned reforms and cooperation with IMF.

On 11 March 2020, the World Health Organisation declared the Coronavirus COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe. Many governments are taking increasingly stringent steps to help contain, and in many jurisdictions, now delay, the spread of the virus, including: requiring self-isolation/ quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and "locking-down" cities/regions or even entire countries. These measures have slowed down both the broader Cyprus and world economies and the operations of the Group. As at the date of release of the consolidated financial statements the Group continues its operating activities without major disruptions: preparations for sowing campaign are performed as planned, new volumes of agroproduce have been contracted with customers. Therefore, unless the situation changes, the Group does not plan any significant adjustments to its annual budgeted numbers for the year ended 31 December 2020.

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

5. REVENUE

	<u>2019</u>	<u>2018</u>
Sales of goods	53 537	56 683
Rendering of services	839	506
Total	<u>54 376</u>	<u>57 189</u>

Revenue generated from sale of goods was as follows:

	<u>2019</u>	<u>2018</u>
Livestock and related revenue	3 948	3 837
Winter wheat	23 152	19 355
Sunflower	18 533	14 029
Vegetable oil and protein meals	7 124	18 652
Corn in grain	235	307
Other agricultural crops	545	503
Total	<u>53 537</u>	<u>56 683</u>

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

	<u>2019</u> <u>tonnes</u>	<u>2018</u> <u>tonnes</u>
Winter wheat	173 932	115 077
Sunflower	64 355	44 789
Vegetable oil and protein meals	16 883	38 906
Corn in grain	2 120	2 273
Total	<u>257 290</u>	<u>201 045</u>

Sales volume for milk yield for the year ended 31 December 2019 was 8 647 tonnes (2018: 10 664 tonnes).

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

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

Timing of revenue recognition	<u>2019</u>	<u>2018</u>
Goods transferred at a point in time	53 537	56 683
Services transferred over time	839	506
Total	<u>54 376</u>	<u>57 189</u>

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

5. REVENUE (cont.)

The following table provides information about receivables and liabilities from contracts with customers:

	<u>2019</u>	<u>2018</u>
Trade receivables, which are included in Trade and other receivables	2 877	1 365
Advances from customers, which are included in Trade and other paybles	-	(51)

6. COST OF SALES

	<u>2019</u>	<u>2018</u>
Livestock and related operations	3 549	3 562
Plant breeding and related operations	48 363	37 810
Vegetable oil and protein meals	6 773	15 911
Other activities	1 897	2 293
Total	<u>60 582</u>	<u>59 576</u>

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

	<u>2019</u>	<u>2018</u>
Non-current biological assets	(307)	(23)
Current biological assets	16 887	22 372
Total	<u>16 580</u>	<u>22 349</u>

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

	<u>2019</u>	<u>2018</u>
Animals in growing and fattening	(1 609)	(893)
Crops under cultivation (Note 19)	18 189	23 242
Total	<u>16 580</u>	<u>22 349</u>

8. OTHER OPERATING INCOME

	Note	<u>2019</u>	<u>2018</u>
Government grants		145	150
Income from reversal of impairment of PPE	16	3	20
Trade payables written-off		4	102
Other income		172	82
Total		<u>324</u>	<u>354</u>

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

9. ADMINISTRATIVE EXPENSES

	Note	2019	2018
Personnel expenses	14	8 629	3 137
Amortisation of intangible assets	15	9	-
Depreciation charge	15	60	47
Transportation expenses		189	176
Materials		23	18
Insurance		2	3
Professional fees		249	201
Communication services		57	48
Other expenses		575	737
Total		9 793	4 367

10. DISTRIBUTION EXPENSES

	Note	2019	2018
Personnel expenses	14	2	2
Transportation expenses		791	1 528
Utilities		2	-
Other expenses		17	179
Total		812	1 709

11. OTHER OPERATING EXPENSES

	Note	2019	2018
Depreciation charge	15	21	74
Loss on disposal of property, plant and equipment	12	11	57
Loss on disposal of land lease rights		-	9
Loss on disposal of current assets		15	22
Wastages and impairment of inventories		3 629	2 211
Fines and penalties		2	36
Donations		24	20
Other expenses		695	289
Total		4 397	2 718

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

12. OPERATING PROFIT

Operating profit is stated after charging the following items:

	Note	<u>2019</u>	<u>2018</u>
Depreciation of property, plant and equipment	16	2 303	1 470
Amortisation of intangible assets	18	9	1 115
Loss on disposal of property, plant and equipment	11	11	57
Personnel expenses	14	18 220	9 684
Independent auditors' remuneration for the statutory audit of annual accounts		51	51

13. NET FINANCE INCOME

	<u>2019</u>	<u>2018</u>
Interest income	2 277	2 903
Gain on foreign exchange differences	10 779	814
Finance income	<u>13 056</u>	<u>3 717</u>
Interest on non-bank loans	(21)	(18)
Interest on notes	(17)	(444)
Interest on lease liabilities	(3 689)	-
Finance costs	<u>(3 727)</u>	<u>(462)</u>
Net finance income	<u><u>9 329</u></u>	<u><u>3 255</u></u>

14. PERSONNEL EXPENSES

	<u>2019</u>	<u>2018</u>
Wages and salaries	16 340	8 379
Contributions to state funds	1 880	1 305
Total	<u><u>18 220</u></u>	<u><u>9 684</u></u>

Payroll and related taxes were presented as follows:

	Note	<u>2019</u>	<u>2018</u>
Production personnel		9 589	6 545
Administrative personnel	9	8 629	3 137
Distribution personnel	10	2	2
Total	12	<u><u>18 220</u></u>	<u><u>9 684</u></u>

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

14. PERSONNEL EXPENSES (cont.)

The number of employees were presented as follows:

	<u>2019</u>	<u>2018</u>
Average number of employees, persons	1 959	1 998
Key management personnel	11	11

15. DEPRECIATION AND AMORTISATION

	Note	<u>2019</u>	<u>2018</u>
<i>Depreciation charge:</i>			
Depreciation of production property, plant and equipment		2 222	1 349
Depreciation of right-of-use assets	17	3 942	-
Administrative expenses	9	60	47
Other expenses	11	21	74
Total		<u>6 245</u>	<u>1 470</u>
<i>Amortisation charge:</i>			
Amortisation of land lease rights	18	-	1 115
Amortisation of intangible assets	9	9	-
Total	18	<u>9</u>	<u>1 115</u>
Total depreciation and amortisation		<u><u>6 254</u></u>	<u><u>2 585</u></u>

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

16. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Buildings	Equipment	Vehicles	Computers and office equipment	Instruments, tools and other equipment	Total
Cost							
Balance at 1 January 2018	613	10 662	14 086	2 022	98	102	27 583
Additions	547	715	5 139	109	31	23	6 564
Disposals	-	(11)	(123)	(3)	(2)	(1)	(140)
Transfers	(419)	404	14	-	-	-	(1)
Effect from translation into presentation currency	6	143	107	27	1	1	285
Balance at 31 December 2018	747	11 913	19 223	2 155	128	125	34 291
Balance at 1 January 2019	747	11 913	19 223	2 155	128	125	34 291
Additions	498	388	5 280	100	37	18	6 321
Disposals	(6)	(6)	(240)	(31)	(3)	(1)	(287)
Transfers	(180)	92	88	-	-	-	-
Effect from translation into presentation currency	154	2 070	3 702	365	23	23	6 337
Balance at 31 December 2019	1 213	14 457	28 053	2 589	185	165	46 662

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

*(in USD thousand, unless otherwise stated)***16. PROPERTY, PLANT AND EQUIPMENT (cont.)**

	Construction in progress	Buildings	Equipment	Vehicles	Computers and office equipment	Instruments, tools and other equipment	Total
Accumulated depreciation and impairment losses							
Balance at 1 January 2018	46	8 488	8 223	1 661	62	81	18 561
Charge for the year	-	229	1 141	75	15	10	1 470
On disposals	-	(11)	(65)	(3)	(1)	(1)	(81)
Reversal Impairment	-	(16)	(2)	(2)	-	-	(20)
Effect from translation into presentation currency	-	113	93	22	-	1	229
Balance at 31 December 2018	46	8 803	9 390	1 753	76	91	20 159
Balance at 1 January 2019	46	8 803	9 390	1 753	76	91	20 159
Charge for the year	-	424	1 717	125	23	14	2 303
On disposals	-	(4)	(228)	(31)	(3)	(1)	(267)
Reversal Impairment	-	(1)	-	(1)	(1)	-	(3)
Effect from translation into presentation currency	4	1 526	1 720	305	15	16	3 586
Balance at 31 December 2019	50	10 748	12 599	2 151	110	120	25 778
Carrying amounts:							
As at 1 January 2018	567	2 174	5 863	361	36	21	9 022
As at 31 December 2018	701	3 110	9 833	402	52	34	14 132
As at 31 December 2019	1 163	3 709	15 454	438	75	45	20 884

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

16. PROPERTY, PLANT AND EQUIPMENT (cont.)

The property, plant and equipment were impaired due to the military conflict in Eastern Ukraine. As a result, the Group has recognised impairment charges in periods prior to 2017. The Group continues to test the related product lines for impairment in each reporting period, with no additional charge being recognised in 2019 (2018: nil).

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

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

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

17. RIGHT-OF-USE ASSETS

	<u>Plough-land</u>
Cost	
Balance as at 1 January 2019	19 390
Additions	414
Effect from translation into presentation currency	3 315
Balance as at 31 December 2019	<u><u>23 119</u></u>
Accumulated depreciation and impairment losses	
Balance as at 1 January 2019	-
Depreciation charge	3 942
Effect from translation into presentation currency	358
Balance as at 31 December 2019	<u><u>4 300</u></u>
Carrying amounts:	
As at 1 January 2019	<u><u>19 390</u></u>
As at 31 December 2019	<u><u>18 819</u></u>

Right-of-use assets have been recognised as a result of adoption by the Group of IFRS 16 "Leases" from 1 January 2019. The Group's right-of-use assets represent leases of plough-land from individuals. The total size of leased plough-land at 31 December 2019 is 94 thousand hectares (31 December 2018: 98 thousand hectares). The changes in accounting policies and details of recognition and measurement of right-to-use assets are described in note 3.1 to the consolidated financial statements.

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 31 December 2019*(in USD thousand, unless otherwise stated)***18. INTANGIBLE ASSETS**

	Computer software	Land lease rights	Total
Cost			
Balance as at 1 January 2018	11	12 057	12 068
Additions	42	-	42
Disposals	-	(20)	(20)
Effect from translation into presentation currency	(1)	165	164
Balance as at 31 December 2018	52	12 202	12 254
Balance as at 1 January 2019	52	12 202	12 254
Impact of IFRS 16 adoption	-	(12 202)	(12 202)
Effect from translation into presentation currency	8	-	8
Balance as at 31 December 2019	60	-	60
Accumulated amortisation and impairment losses			
Balance as at 1 January 2018	11	7 364	7 375
Amortisation charge	-	1 115	1 115
Disposals	-	(12)	(12)
Effect from translation into presentation currency	-	82	82
Balance as at 31 December 2018	11	8 549	8 560
Balance as at 1 January 2019	11	8 549	8 560
Impact of IFRS 16 adoption	-	(8 549)	(8 549)
Amortisation charge	9	-	9
Effect from translation into presentation currency	2	-	2
Balance as at 31 December 2019	22	-	22
Carrying amounts:			
As at 1 January 2018	-	4 693	4 693
As at 31 December 2018	41	3 653	3 694
As at 31 December 2019	38	-	38

Land lease rights were derecognised as a result of adoption by the Group of IFRS 16 “Leases” from 1 January 2019. The changes in accounting policies are described in note 3.1 to the consolidated financial statements

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

19. BIOLOGICAL ASSETS

Biological assets were presented as follows:

	<u>2019</u>	<u>2018</u>
Crops under cultivation	8 376	7 329
Animals in growing and fattening	731	1 448
<i>Total current biological assets</i>	<u>9 107</u>	<u>8 777</u>
Cattle	1 141	1 451
Other	-	1
<i>Total non-current biological assets</i>	<u>1 141</u>	<u>1 452</u>
Total	<u><u>10 248</u></u>	<u><u>10 229</u></u>

19.1 Crops under cultivation

At 31 December 2019 and 31 December 2018 the crops under cultivation were presented as follows:

	<u>31 December 2019</u>		<u>31 December 2018</u>	
	<u>Thousands of hectares</u>	<u>Carrying values</u>	<u>Thousands of hectares</u>	<u>Carrying values</u>
Winter wheat plantings	38	8 232	37	7 309
Winter rape plantings	1	137	-	-
Other plantings	-	7	1	20
Total	<u>39</u>	<u>8 376</u>	<u>38</u>	<u>7 329</u>

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

	<u>2019</u>	<u>2018</u>
At 1 January	7 329	5 565
Increase in value as a result of capitalisation of cost	36 288	33 913
Decrease in value as a result of harvesting	(54 460)	(55 241)
Gain from presentation of biological assets at fair value (note 7)	18 189	23 242
Effect from translation into presentation currency	1 030	(150)
At 31 December	<u>8 376</u>	<u>7 329</u>

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

19. BIOLOGICAL ASSETS (cont.)

19.1 Crops under cultivation (cont.)

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

	31 December 2019		31 December 2018	
	Volume, tonnes	Amount, USD thousand	Volume, tonnes	Amount, USD thousand
Winter wheat	176 475	25 865	144 961	23 375
Sunflower	92 750	26 567	85 910	28 837
Corn	2 070	241	2 608	381
Other sowing	43 367	1 787	79 552	2 648
Total	314 662	54 460	313 031	55 241

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

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

Non-current biological assets:

	31 December 2019		31 December 2018	
	Number, heads	Fair value	Number, heads	Fair value
Cattle	1 072	1 141	2 014	1 451
Horses	-	-	1	1
Total		1 141		1 452

Animals in growing and fattening:

	31 December 2019		31 December 2018	
	Number, heads	Fair value	Number, heads	Fair value
Cattle	1 273	731	2 402	1 448
Total		731		1 448

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

19. BIOLOGICAL ASSETS (cont.)

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

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

	2019	2018
At 1 January	1 452	1 480
Decrease in value due to sale of assets	-	75
Increase in value as a result of capitalisation of cost	2 605	2 822
Decrease in value as a result of harvesting agricultural products	(2 659)	(2 979)
Loss from presentation of biological assets at fair value	(307)	(23)
Other changes	(148)	57
Effect from translation into presentation currency	198	20
At 31 December	1 141	1 452

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

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

	2019	2018
At 1 January	1 448	1 045
Increase in value as a result of asset acquisition	229	-
Increase in value as a result of capitalisation of cost	1 183	1 317
Decrease in value as a result of harvesting agricultural products	(15)	(12)
Decrease in value as a result of sale of assets	(1 117)	(460)
Other changes	141	(63)
Loss from presentation of biological assets at fair value	(1 302)	(387)
Effect from translation into presentation currency	164	8
At 31 December	731	1 448

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

20. INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2019</u>	<u>2018</u>
US Treasury notes	9 157	-
Bank of Cyprus Holdings Plc	107	141
Total	<u>9 264</u>	<u>141</u>

During 2019, the Group acquired US Treasury notes for a total amount of USD 8 821 thousand which mature in 2020-2027 and bear interest of 1.625%-2.42% p.a.. These instruments were classified as current as the Group holds them for trading.

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

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

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

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

21. LOANS RECEIVABLE

	Note	<u>2019</u>	<u>2018</u>
<i>Current assets</i>			
Loans to related parties	32	18 549	16 274
Loans to third parties		5 767	5 767
Provision for impairment		(5 767)	(5 767)
Total		<u>18 549</u>	<u>16 274</u>

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

22. INVENTORIES

	<u>2019</u>	<u>2018</u>
Raw materials	1 387	2 167
Work-in-progress	4 153	3 769
Agricultural produce	13 689	17 042
Finished goods	-	4
Other	951	1 307
Total	<u>20 180</u>	<u>24 289</u>

Work-in-progress

Work in progress includes expenditure capitalised in respect of 53 thousand hectares (2018: 55 thousand hectares) of plough land prepared for sowing in the current or following year.

Agricultural produce

The main agricultural produce was as follows:

	<u>2019</u>	<u>2018</u>
Winter wheat	125	2 674
Sunflower	12 792	13 391
Corn	36	232
Other agricultural crops	736	745
Total	<u>13 689</u>	<u>17 042</u>

As at 31 December 2019 and 31 December 2018 the main agricultural produce volume in tonnes was as follows:

	<u>2019</u>	<u>2018</u>
Winter wheat	783	16 684
Sunflower	40 869	40 492
Corn	307	1 592
Total	<u>41 959</u>	<u>58 768</u>

At 31 December 2019 there were no loans secured by inventories (2018: nil).

During the year inventory of USD 3 629 thousand was included into other operating expenses as wastage due to mandatory clearing and drying processes in the elevators (2018: USD 2 211 thousand).

Inventories were impaired due to the military conflict in Eastern Ukraine, with the main impact being attributable to 2014 and 2015. The Group has tested the related product lines for impairment and no additional charge was recognized in 2019 (2018: nil).

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

23. TRADE AND OTHER RECEIVABLES

	Note	<u>2019</u>	<u>2018</u>
Trade receivables		2 877	1 369
Provision for impairment of trade receivables	24	-	(4)
Trade receivables, net		2 877	1 365
Prepayments to suppliers		891	3 278
Other receivables		33 695	33 764
Provision for impairment of prepayments and other receivables	24	(33 206)	(33 226)
VAT recoverable		251	248
Total		<u>4 508</u>	<u>5 429</u>

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

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

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

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

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

24. MOVEMENT IN PROVISION FOR DOUBTFUL DEBTS

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

	Note	<u>2019</u>	<u>2018</u>
At 1 January		33 230	33 468
Provision for the year	11	9	42
Reversal of provision for bad debts		(54)	-
Write-off of provision for bad debt from receivables		-	(261)
Effect of translation into presentation currency		21	(19)
At 31 December	23	<u>33 206</u>	<u>33 230</u>

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

25. CASH AND CASH EQUIVALENTS

	2019	2018
Cash at bank - USD	11 112	24 544
Cash at bank - UAH	824	324
Cash at bank - Euro	1	2
Cash in hand	1	11
Total	11 938	24 881

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

26. DISCONTINUED OPERATIONS AND DISPOSAL GROUP HELD FOR SALE

Discontinued operations

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

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

Held for sale

At 31 December 2019 the disposal group comprised the following assets and liabilities:

	Agro-Svinprom LLC
Assets classified as held for sale	
Property, plant and equipment	20
Total	20
Liabilities classified as held for sale	
Trade and other payables	(11)
Total	(11)
Net assets	9

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

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

Held for sale (cont.)

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

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

27. SHARE CAPITAL AND SHARE PREMIUM

	2019 Number of shares	2019 Nominal value, USD	2018 Number of shares	2018 Nominal value, USD
Authorised share capital				
Ordinary shares of EUR 0,021 each	47 619 048	1 321 500	47 619 048	1 321 500
	Number of shares	Nominal value, USD	Share premium, USD	Total, USD
Issued and fully paid				
At 1 January 2018	21 670 000	661 128	88 531 664	89 192 792
At 31 December 2018	21 670 000	661 128	88 531 664	89 192 792
At 31 December 2019	21 670 000	661 128	88 531 664	89 192 792

Issued share capital

- i Upon incorporation on 21 September 2009, the Company issued to the subscribers of its Memorandum of Association 12 000 000 ordinary shares of nominal value EUR0,021 each, amounting to EUR 252 000 (USD equivalent of USD 370 591).
- ii On 4 November 2009 the Company issued 4 000 000 additional ordinary shares of nominal value EUR 0,021 each, amounting to EUR 84 000 (USD equivalent of USD 123 715), at a premium of EUR 6,93 per share, amounting to a total share premium of EUR 27 720 000 (USD equivalent of USD 38 791 285).

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

27. SHARE CAPITAL AND SHARE PREMIUM (cont.)

Issued share capital (cont.)

Global Depositary Receipts “GDRs” were issued against the 4 000 000 new shares by “The Bank of New York Mellon” for USD 9,72875 per each new share. The total consideration of the share capital issued was USD 38 915 000 out of which USD 123 715 is the total nominal value credited to the share capital account and USD 38 791 285 is the share premium reserve. Share issue expenses of USD 317 154 were deducted from the share premium reserve.

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

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

Listing of the Company to the Warsaw Stock Exchange

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

The Company lost over 50% of its issued share capital. According to the provisions of Section 169F of the Companies Law, Cap. 113, the Board of Directors is expected to convene an extraordinary general meeting in order to consider whether the Company should continue its operations for the achievement of its objectives or take any other measures to the contrary.

28. LOANS AND BORROWINGS

	Note	<u>2019</u>	<u>2018</u>
<i>Current liabilities</i>			
Loan from owner	32	127	106
Notes		-	7 759
		<u>127</u>	<u>7 865</u>
Total loans and borrowings		<u>127</u>	<u>7 865</u>

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

28. LOANS AND BORROWINGS (cont.)

Notes

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

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

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

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

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

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

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

28. LOANS AND BORROWINGS (cont.)

Notes (cont.)

- Reduce the principal amount of Notes required to be held by Noteholders in order to pass an Extraordinary Resolution by way of electronic consent or written resolution from not less than three-quarters in principal amount of the Notes outstanding to more than half of such principal amount; and
- Remove restrictions on the Issuer's ability to declare or pay dividends to shareholders.

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

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

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

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

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

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

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

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

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

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

On 14 January 2019, the Company made a full repayment of the outstanding amount of its notes for USD 7 777 thousand, instead.

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

28. LOANS AND BORROWINGS (cont.)

Notes (cont.)

The following subsidiaries were acting as surety providers:

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

29. LEASE LIABILITIES

	2019	2018
<i>Non-current liabilities</i>		
Lease liabilities	15 389	-
	15 389	-
<i>Current liabilities</i>		
Lease liabilities	4 895	-
	4 895	-
Total lease liabilities	20 284	-

Lease liabilities were recognised as a result of IFRS 16 adoption (note 3.1).

The exposure of the Group to liquidity risk in relation to lease liabilities is reported in Note 36 to the consolidated financial statements.

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

30. TRADE AND OTHER PAYABLES

	<u>2019</u>	<u>2018</u>
Trade payables	78	993
Payroll and related expenses accrued	6 186	1 255
Advances received	-	51
Liabilities for other taxes and mandatory payments	135	100
VAT payable	287	282
Payable for operating lease of land	-	22
Accrued expenses	36	17
Other provisions	13	12
Other liabilities	19	65
Total	<u><u>6 754</u></u>	<u><u>2 797</u></u>

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

31. PROFIT PER SHARE

Basic profit per share

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

	<u>2019</u>	<u>2018</u>
<i>Profit attributable to the owners of the Company (in USD'000):</i>		
Profit from continuing operations attributable to the owners of the Company	5 183	13 518
Total profit attributable to the owners of the Company	<u>5 183</u>	<u>13 518</u>
<i>Weighted average number of ordinary shares:</i>		
Weighted average number of ordinary shares at 31 December	21 670 000	21 670 000
Total basic profit per share (USD per share)	<u><u>0,24</u></u>	<u><u>0,62</u></u>

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

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

32. RELATED PARTY BALANCES AND TRANSACTIONS

As at 31 December 2019 and the date of this report, the Company is controlled by Mr. Iurii Zhuravlov, who holds directly 77,77% of the Company's share capital. The remaining 22,23% of the shares is widely held.

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

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

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

Salary costs of key management personnel for the years ended 31 December 2019 and 31 December 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Wages and salaries	6 681	2 322
Contributions to social funds	31	16
Total	<u>6 712</u>	<u>2 338</u>

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

	<u>2019</u>	<u>2018</u>
Number of key management personnel, persons	11	11

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

32. RELATED PARTY BALANCES AND TRANSACTIONS (cont.)

Outstanding balances with related parties:

Loans receivable (note 21)	2019	2018
d. Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies		
Mr Iurii Zhuravlov - Chief Executive Officer	18 549	16 274
Total	18 549	16 274

Loans payable (note 28)		
d. Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies		
Mr Iurii Zhuravlov - Chief Executive Officer	127	106
Total	127	106

The Group's transactions with related parties:

Finance cost, net	2019	2018
d. Companies and individuals significantly influencing the Group and having an interest in equity of Group's companies		
Mr Iurii Zhuravlov - Chief Executive Officer	2 254	1 952
Total	2 254	1 952

Expenses		
c. Key management personnel	6 712	2 338
Total	6 712	2 338

33. OPERATING SEGMENTS

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

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

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

33. OPERATING SEGMENTS (cont.)

For the year ended 31 December 2019 the Group identified the following reportable segments, which include products and services, that differ by levels of risk and conditions of generation of income:

- Plant breeding
 - Livestock
 - Vegetable oil and protein meal
 - Other
- (i) Plant breeding segment raises and sells agricultural products and renders accompanying services. The main types of agricultural produce which are sold in this reportable segment are wheat, rye, barley, sunflowers and rape. The main services which are sold in this reportable segment are ploughing, handling and grain storage services.
- (ii) Livestock segment raises and sells biological assets and agricultural products of cattle breeding. The main biological assets and agricultural products which are sold in this reportable segment are poultry, cattle, pigs and milk.
- (iii) Vegetable oil and protein meal is a new segment the Group started disclosing in 2017. It represents the processing of own sunflower seeds into sunflower oil and protein meal using outsourced production facilities.

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

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

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

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

33. OPERATING SEGMENTS (cont.)

Information by reportable segment is presented as follows:

2019	Livestock	Plant breeding	Vegetable oil and protein meal	Other	Group level	Total
Total revenue	4 189	42 662	7 124	1 559	-	55 534
Inter-segment sales	(241)	(197)	-	(720)	-	(1 158)
External revenues	3 948	42 465	7 124	839	-	54 376
Net change in fair value less cost to sell of biological assets and agricultural produce	(1 609)	18 189	-	-	-	16 580
Expenses (excluding depreciation and amortisation)	(3 795)	(48 797)	(6 467)	(317)	-	(59 376)
(Loss)/profit for the year (excluding depreciation and amortisation)	(1 456)	11 857	657	522	-	11 580
Depreciation and amortisation	(176)	(5 527)	(306)	(245)	-	(6 254)
(Loss)/profit before taxation from continuing operations	(1 632)	6 330	351	277	-	5 326
Reportable segment assets	4 918	77 378	16	4 323	27 813	114 448
Reportable segment liabilities	268	26 726	-	55	590	27 639

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

33. OPERATING SEGMENTS (cont.)

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

33. OPERATING SEGMENTS (cont.)

Geographical information

Reportable segment information related to geographical location for the year ended 31 December 2019 and 31 December 2018 is presented below. Sales revenue analysis was based on the geographical local of delivery destination.

	2019	2018
Ukraine	47 022	37 874
India	3 779	9 504
Netherlands	1 720	3 208
Italy	969	2 070
Iraq	28	1 792
Spain	-	189
China	-	51
Other countries	858	2 501
	54 376	57 189

34. OPERATING ENVIROMENT

Cyprus economic environment

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

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

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

34. OPERATING ENVIROMENT (cont.)

Ukrainian economic and political environment

Political and social events of the beginning of 2014 resulted in the loss of control by Ukraine over the territory of the Crimea and part of the Donetsk and Lugansk regions and triggered an economic crisis causing a fall in the country's gross domestic product (GDP) and foreign trade, deterioration in state finances, depletion of the National Bank of Ukraine's (NBU) foreign currency reserves, significant devaluation of the national currency and a further downgrading of the Ukrainian sovereign debt credit ratings. Following the devaluation of the national currency, NBU introduced certain administrative restrictions on currency conversion transactions, which among others included restrictions on purchases of foreign currency by individuals and companies, the requirement to convert large part of foreign currency proceeds to local currency, restrictions on payment of dividends abroad, a ban on early repayment of foreign loans and restrictions on cash withdrawals from banks.

During 2015 and 2016 the anti-crisis measures undertaken by the Ukrainian government and NBU as well as financing through the extended fund facilities (EFF) agreed with International Monetary Fund (IMF) enabled the country to achieve a certain level of economic and political stability and provided the basis for economic recovery on the territory controlled by Ukraine. In 2016 and 2017 Ukraine's GDP grew by 2.3% and 2.5% respectively. This allowed NBU to ease some foreign exchange restrictions imposed since 2014, including a decrease in the share of the mandatory foreign currency conversion and permission of dividends remittance. However, certain other restrictions were prolonged.

Signs of economic recovery demonstrated in prior year continued in 2018, with inflation reducing to 9.8% from 13.7% in 2017 and GDP showing a gradual growth of 3.4% (2017: 2.5%), level of deposits in the banking sector growing, losses of the corporate and banking sectors decreasing. During 2019 the Ukrainian economy continued its growth with GDP increasing by 3.2% , inflation being 4.1% and Ukrainian Hryvnia appreciating against US Dollar by 14.5% on annual average basis. In view of these developments and in order to support international investments and trade, NBU withdrew all its requiements on mandatory sale of foreign currency proceeds and removed all its restrictions on remittance of dividends.

The presidential and parliamentary elections held in Ukraine in 2019 brought a new team of leaders to power, who declare liberal economic views and recognize the need to continue reforms. Further economic development depends on the successful implementation of planned reforms and cooperation with IMF.

On 11 March 2020, the World Health Organisation declared the Coronavirus COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe. Many governments are taking increasingly stringent steps to help contain, and in many jurisdictions, now delay, the spread of the virus, including: requiring self-isolation/ quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and "locking-down" cities/regions or even entire countries. These measures have slowed down both the broader Cyprus and world economies and the operations of the Group. As at the date of release of the consolidated financial statements the Group continues its operating activities without major disruptions: preparations for sowing campaign are performed as planned, new volumes of agroproduce have been contracted with customers. Therefore, unless the situation changes, the Group does not plan any significant adjustments to its annual budgeted numbers for the year ended 31 December 2020.

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

34. OPERATING ENVIROMENT (cont.)

Ukrainian economic and political environment (cont.)

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

Going concern basis following the economic and political environment

The dangers which may arise from unexpected external factors such as competition, and the further deterioration of the market conditions cannot be ignored. All these factors were analysed above. Having regard to the fact that the Notes have been repaid and additional external debt has been incurred, the Board of Directors believes that the Group will remain a going concern and that no indications of any kind of threat of liquidation exists in the foreseeable future.

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

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

35. CONTINGENT AND CONTRACTUAL LIABILITIES

Economic environment

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

Taxation

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

The Company operates in the Cypriot tax jurisdiction and its subsidiaries in tax jurisdiction of the respective countries of incorporation. The Group's management must interpret and apply existing legislation to transactions with third parties and its own activities. Significant judgment is required in determining the provision for direct and indirect taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

35. CONTINGENT AND CONTRACTUAL LIABILITIES (cont.)

Taxation (cont.)

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

Legal matters

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

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

Pension and other liabilities

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

At 31 December 2019 and 31 December 2018 the Group's entities had no liabilities for any supplementary pensions, health care, insurance benefits or retirement indemnities to its current or former employees.

36. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks arising from the use of financial instruments:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk
- (d) Operational risk

Risk Management framework

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

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

36. FINANCIAL RISK MANAGEMENT (cont.)

Risk Management framework (cont.)

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

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

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

- information on finance income and expenses is disclosed in Note 13 (all finance income and expenses are recognised as a part of profit or loss for the year);
- information on cash is disclosed in Note 25;
- information on trade and other receivables is disclosed in Note 23;
- information on loans receivable is disclosed in Note 21;
- information on trade and other payables is disclosed in Note 30;
- information on significant terms of borrowings and loans granted is disclosed in Note 28.

a) Credit risk

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

Trade and other receivables

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

36. FINANCIAL RISK MANAGEMENT (cont.)

a) Credit risk (cont.)

Exposure to credit risk

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

	Note	2019	2018
Financial assets			
Investments designated at fair value through profit or loss	20	9 264	141
Loan to related parties	21	18 549	16 274
Cash at bank	25	11 937	24 870
Trade receivables	23	2 877	1 365
Other receivables	23	465	538
Total		43 092	43 188

Credit quality of financial assets

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

Bank group based on credit ratings by Moody's	Note	2019	2018
Aa2		10 607	22 616
Aa3		-	1 861
A3		161	-
B1		2	-
B3		-	9
Caa2		1 167	384
Total	25	11 937	24 870

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

2019	Not overdue	0-90 days	91-180 days	181-365 days	over one year	Total
Carrying amount of trade receivables	2 685	190	2	-	-	2 877
2018		0-90 days	91-180 days	181-365 days	over one year	Total
Carrying amount of trade receivables		616	694	55	-	1 365

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

36. FINANCIAL RISK MANAGEMENT (cont.)

a) Credit risk (cont.)

Credit quality of financial assets (cont.)

There were no trade receivables at the end of the reporting period that were impaired.

The ageing of trade receivables at 31 December 2018 that were impaired was as follows:

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

As at 31 December 2019, an amount of USD 2481 thousand and USD 93 thousand or 86% and 3% of the total carrying value of trade receivables respectively is due from the two most significant debtors. For the year ended 31 December 2019, an amount of USD 15 823 thousand (29%) and USD 5 459 thousand (10%) from Group's revenue refers to the sales transactions carried out with two of the Group's clients.

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

Expected credit loss assessment for corporate customers as at 1 January and 31 December 2019

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

b) Liquidity risk

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

36. FINANCIAL RISK MANAGEMENT (cont.)

b) Liquidity risk (cont.)

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

Exposure to liquidity risk

2019	Note	Carrying amounts	Contractual cash flows	3 month or less	3-12 month	Between 1- 5 years	Over 5 years
Loan from owner	32	127	133	133	-	-	-
Lease liabilities	28	20 284	31 930	1 546	4 638	18 871	6 875
Trade payables	30	78	78	78	-	-	-
Other payables	30	19	19	19	-	-	-
Total		20 508	32 160	1 776	4 638	18 871	6 875

2018	Note	Carrying amounts	Contractual cash flows	3 month or less	3-12 month	Between 1- 5 years	Over 5 years
Loan from owner	32	106	110	110	-	-	-
Notes	28	7 759	7 760	7 760	-	-	-
Trade payables	30	993	993	993	-	-	-
Other payables	30	87	87	87	-	-	-
Total		8 945	8 950	8 950	-	-	-

c) Market risk

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

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

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

Foreign currency risk

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

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

36. FINANCIAL RISK MANAGEMENT (cont.)

c) Market risk (cont.)

Exposure to foreign currency risk

The Group's exposure to foreign currency risk as at 31 December 2019 based on carrying amounts was as follows:

(in conversion to USD thousand)

	United States Dollars
Cash and cash equivalents	350
Total carrying amount	350

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

(in conversion to USD thousand)

	United States Dollars
Cash and cash equivalents	61
Trade and other receivables	7
Total carrying amount	68

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

	2019		2018	
	Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
United States Dollars	35	35	7	7
	35	35	7	7

Interest rate risk

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

36. FINANCIAL RISK MANAGEMENT (cont.)

c) Market risk (cont.)

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

Structure of interest rate risk

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

	2019	2018
<i>Fixed rate instruments</i>		
Financial assets	27 706	16 415
Financial liabilities	(20 411)	(7 866)
<i>Total</i>	7 295	8 549

d) Operational risk

Crops under cultivation

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

Livestock

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

e) Capital management

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

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

36. FINANCIAL RISK MANAGEMENT (cont.)

e) Capital management (cont.)

Financial leverage ratio calculation (cont.)

For the year ended 31 December 2019 and 31 December 2018 EBITDA amounted to:

	2019	2018
Profit for the year	5 185	13 534
Income tax charge	141	185
Finance income	(13 056)	(3 717)
Finance costs	3 727	462
EBIT (Earnings before interest and income tax)	(4 003)	10 464
Depreciation and amortisation	6 254	2 585
EBITDA (earnings before interest, income tax, depreciation and amortisation)	2 251	13 049

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

37. FAIR VALUES

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

The different levels have been defined as follows:

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

a) Fair value of financial assets

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

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

At 31 December 2019, the following methods and assumptions were used by the Group to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

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

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

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

37. FAIR VALUES (cont.)

b) Fair value of non-financial assets

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

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

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

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

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

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

Level 3 fair values

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Crops under cultivation	As at 31 December 2019 the biological transformation is insignificant, the fair value approximate cost	Not applicable	Not applicable

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

37. FAIR VALUES (cont.)

Level 2 fair values

Type	Valuation technique	Significant observable inputs	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Livestock	<i>Market comparison techniques:</i> The valuation is based on existing market prices for items with similar age, breed and location characteristics, which are adjusted for variations in these characteristics.	Market prices	None	Not applicable

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

	Level 1	Level 2	Level 3	Total
31 December 2019				
Non-financial assets				
Plants and plantation	-	-	8 376	8 376
Livestock	-	1 872	-	1 872
	-	1 872	8 376	10 248

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

There were no transfers between any levels of the fair value hierarchy during the year 31 December 2019 and 31 December 2018.

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

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 31 December 2019*(in USD thousand, unless otherwise stated)***37. FAIR VALUES (cont.)**

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

	Carrying amount			Fair value				
	Designated at fair value	At amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2019								
<i>Financial Assets measured at fair value</i>								
Assets held for sale	20	-	-	20	20	-	-	20
Investments designated at fair value through profit or loss	9 264	-	-	9 264	9 264	-	-	9 264
<i>Financial assets not measured at fair value</i>								
Trade receivables	-	2 877	-	2 877	-	-	2 877	2 877
Loans receivable	-	18 549	-	18 549	-	-	18 549	18 549
Cash and cash equivalents	-	11 938	-	11 938	11 938	-	-	11 938
	9 284	33 364	-	42 648	21 222	-	21 426	42 648
<i>Financial Liabilities measured at fair value</i>								
Liabilities held for sale	11	-	-	11	11	-	-	11
<i>Financial Liabilities not measured at fair value</i>								
Lease liabilities	-	-	20 284	20 284	-	-	20 284	20 284
Loans payable	-	-	127	127	-	-	127	127
Trade payables	-	-	78	78	-	-	78	78
Other payables	-	-	19	19	-	-	19	19
	11	-	20 508	20 519	11	-	20 508	20 519

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 31 December 2019*(in USD thousand, unless otherwise stated)***37. FAIR VALUES (cont.)**

	Fair value							
	Designated at fair value	At amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2018								
<i>Financial Assets measured at fair value</i>								
Assets held for sale	17	-	-	17	17	-	-	17
Investments designated at fair value through profit or loss	141	-	-	141	141	-	-	141
<i>Financial assets not measured at fair value</i>								
Trade receivables	-	1 365	-	1 365	-	-	1 365	1 365
Loans receivable	-	16 274	-	16 274	-	-	16 274	16 274
Cash and cash equivalents	-	24 881	-	24 881	24 881	-	-	24 881
	158	42 520	-	42 678	25 039	-	17 639	42 678
<i>Financial Liabilities measured at fair value</i>								
Liabilities held for sale	9	-	-	9	9	-	-	9
<i>Financial Liabilities not measured at fair value</i>								
Notes	-	-	7 758	7 758	7 759	-	-	7 759
Loans payable	-	-	106	106	-	-	106	106
Trade payables	-	-	993	993	-	-	993	993
Other payables	-	-	87	87	-	-	87	87
	9	-	8 944	8 953	7 768	-	1 186	8 954

AGROTON PUBLIC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(in USD thousand, unless otherwise stated)

37. FAIR VALUES (cont.)

The fair value of financial assets and financial liabilities, together with the carrying amounts in the consolidated statement of financial position as at 31 December 2019 and 31 December 2018, are as follows.

31 December 2019	Carrying amount	Fair value
Financial assets		
Investments designated at fair value through profit or loss	9 264	9 264
Trade receivables	2 877	2 877
Cash and cash equivalents	11 938	11 938
Loans receivable	18 549	18 549
Financial liabilities		
Lease liabilities	20 284	20 284
Loans payable	127	127
Trade payables	78	78
 31 December 2018	 Carrying amount	 Fair value
Financial assets		
Investments designated at fair value through profit or loss	141	141
Trade receivables	1 365	1 365
Cash and cash equivalents	24 881	24 881
Loans receivable	16 274	16 274
Financial liabilities		
Notes	7 758	7 759
Loans payable	106	106
Trade payables	993	993

AGROTON PUBLIC LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****For the year ended 31 December 2019***(in USD thousand, unless otherwise stated)***38. EVENTS AFTER THE REPORTING PERIOD**

Events referred to in note 34 to the consolidated financial statements will continue to influence the Group's operations in 2020. While management believes it is taking all necessary measures to maintain the sustainability of the business in the current circumstances, a further deterioration of economic and political conditions in Ukraine could adversely affect the Group's results and financial position, so that it is currently impossible to predict.

On 11 March 2020, the World Health Organisation declared the Coronavirus COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe. Many governments are taking increasingly stringent steps to help contain, and in many jurisdictions, now delay, the spread of the virus, including: requiring self-isolation/ quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and “locking-down” cities/regions or even entire countries. These measures have slowed down both the broader Cyprus and world economies and the operations of the Group. As at the date of release of the consolidated financial statements the Group continues its operating activities without major disruptions: preparations for sowing campaign are performed as planned, new volumes of agroproduce have been contracted with customers. Therefore, unless the situation changes, the Group does not plan any significant adjustments to its annual budgeted numbers for the year ended 31 December 2020.

On 30 June 2020 the Board of Directors of Agroton Public Limited approved and authorised these consolidated financial statements for issue.