

**AGROLIGA GROUP PLC.**

REPORT AND CONSOLIDATED FINANCIAL  
STATEMENTS

31 December 2016

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS  
31 December 2016

<b>CONTENTS</b>	<b>PAGE</b>
Board of Directors and other Officers	2
Management Report	3
Independent auditor's report	4-7
Consolidated statement of profit or loss and other comprehensive income	8
Consolidated statement of financial position	9
Consolidated statement of changes in equity	10
Consolidated statement of cash flows	11
Notes to the consolidated financial statements	12-35

---

# AGROLIGA GROUP PLC.

---

## BOARD OF DIRECTORS AND OTHER OFFICERS

**Board of Directors:**

Oleksandr Berdnyk  
Bizserve Investments Limited  
Bizserve Management Limited

**Company Secretary:**

Bizserve Secretarial Services Limited

**Independent Auditors:**

Euroglobal S.E.E. Audit Limited  
Chytron 5  
1075 Nicosia  
Cyprus

**Registered office:**

11 Boumpoulinas Street  
1st floor  
1060 Nicosia, Cyprus

**Bankers:**

Credit Agricole Bank Polska S.A.  
Versobank AS

**Registration number:**

HE269325

# AGROLIGA GROUP PLC.

---

## MANAGEMENT REPORT

The Board of Directors presents its report and audited consolidated financial statements of Agroliga Group Plc. and its subsidiaries (the Group) for the year ended 31 December 2016.

### Principal activities

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

### Review of current position, future developments and significant risks

The Group's development to date, financial results and position as presented in the consolidated financial statements are considered satisfactory. Additional details that relate to the operating environment of the Group as well as other risks and uncertainties are described in notes 3 and 21 of the consolidated financial statements.

### Results

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

### Dividends

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

### Share capital

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

### Board of Directors

The members of the Group's Board of Directors as at 31 December 2016 and at the date of this report are presented on page 3. All of them were members of the Board of Directors throughout the year ended 31 December 2016.

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

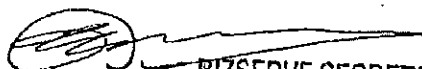
### Events after the reporting period

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

### Independent Auditors

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

By order of the Board of Directors,



**BIZSERVE SECRETARIAL SERVICES LIMITED**

Bizserve Secretarial Services Limited  
Secretary

Nicosia, 25 May 2017

## **Independent Auditor's Report**

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

#### **Qualified Opinion**

We have audited the consolidated financial statements of Agroliga Group Plc (the "Company") and its subsidiaries (together with the Company, the "Group"), which are presented in pages 8 to 35 which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the matters discussed in the basis of qualified opinion paragraph below, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

#### **Basis for qualified opinion**

Due to the absence of supporting documentation and alternative procedures we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the existence and appropriateness of the carrying amount of property, plant and equipment of Agroliga Group Plc in the amount of €118 thousand.

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

#### **Emphasis of matter**

Without qualifying our opinion, we draw your attention to the political and economic changes experienced in Ukraine in recent years. These events have adversely affected the Company's subsidiary/sub-subsidiaries' financial results and could continue to exert negative influence over the Company's financial result and financial position in a manner not currently determinable. This uncertainty can have significant impact on the Company's financial result and financial position to the extent not currently determinable. Our opinion is not qualified in respect of this matter.

#### **Key Audit Matters**

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

## **Independent Auditor's Report (continued)**

### **To the Members of Agroliga Group Plc**

The key audit matters which have been communicated in our report are the following significant risk areas:

- Valuation, ownership, completeness and existence of inventory
- Valuation and completeness of accounts receivable
- Valuation and completeness of accounts payable
- Valuation, ownership, completeness and existence of property, plant and equipment
- Valuation, rights and obligations, and completeness of borrowings

Our response to the above mentioned key audit matters is summarized below.

#### *Valuation, ownership, completeness and existence of inventory*

The audit procedures were designed to challenge the adequacy of the Group's provisions for inventory and included:

- Observation of the inventory count process;
- Performance of ownership tests for the confirmation of rights to the title of inventory;
- Performance of Net Realizable Value (NRV) tests to obtain assurance that inventories are stated at the lower of cost and NRV
- Review of adequacy of the Group's disclosures in the consolidated financial statements

#### *Valuation and completeness of accounts receivable*

- The principal audit procedures in relation to this area involved the testing of the Group's controls for completeness and accuracy of accounts receivable, accuracy of account balances, aging of accounts receivable, provisions for impairment and evaluation of the Group's assumptions used in assessing the recoverability of accounts receivable.
- Confirmation of year end balances through the use of third party confirmations
- Review of adequacy of the Group's disclosures in the consolidated financial statements

#### *Valuation and completeness of accounts payable*

- The principal audit procedures included the testing of the completeness and accuracy of balances on accounts and reconciliation with counterparties' data including review of accounts payable aging analysis.
- Review of adequacy of the Group's disclosures in the consolidated financial statements

#### *Valuation, ownership, completeness and existence of property, plant and equipment*

- Physical inspection of property, plant and equipment
- Recalculation of depreciation in accordance with the Group's accounting policies
- Examination of supporting documentation to verify that the Group has title to property, plant and equipment
- Review of adequacy of the Group's disclosures in the consolidated financial statements

The above audit procedures were not performed for the amount of property, plant and equipment for which our report is qualified.

#### *Valuation, rights and obligations, and completeness of borrowings*

- Confirmation of year end balances through the use of third party confirmations
- Confirmation and recalculation of borrowings with primary documents.
- Review of adequacy of the Group's disclosures in the consolidated financial statements

### **Other information**

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report and in the statement of management's responsibility for the preparation and approval of the consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

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

## **Independent Auditor's Report (continued)**

### **To the Members of Agroliga Group Plc Responsibilities of the Board of Directors for the Consolidated Financial Statements**

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

## **Independent Auditor's Report (continued)**

### **To the Members of Agroliga Group Plc**

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

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

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

### **Report on Other Legal Requirements**

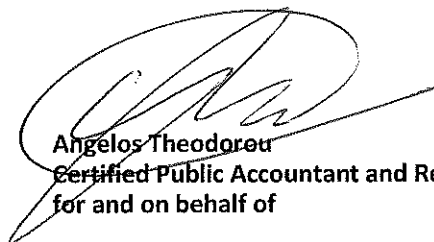
Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 to 2016, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion, and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the management report, has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the consolidated financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the management report.

### **Other Matter**

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 to 2016 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

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



Angelos Theodorou  
Certified Public Accountant and Registered Auditor  
for and on behalf of

**Euroglobal S.E.E. Audit Ltd**  
Certified Public Accountants and Registered Auditors

Nicosia, 25 May 2017

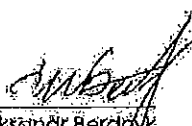



# AGROLIGA GROUP PLC.


## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2016

	Note	2016 €'000	2015 €'000
Revenue	5	21,342	20,631
Cost of sales	8	(17,011)	(17,447)
Income from change in fair value of biological assets and agricultural products	5	240	399
<b>Gross profit (loss)</b>		<b>4,571</b>	<b>3,583</b>
Income from government grants	6	159	898
Administrative expenses	8	(480)	(357)
Distribution expenses	8	(380)	(532)
Other operating income/(expenses), net	7	11	(265)
Financial income/(expenses), net	9	(128)	(360)
Exchange rate differences, net		(75)	221
<b>Profit (loss) before tax</b>		<b>3,678</b>	<b>3,188</b>
Income tax benefit/expense	10	100	94
<b>Profit (loss) for the year</b>		<b>3,778</b>	<b>3,282</b>
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign oper- ations		(2,810)	(1,690)
<b>Total comprehensive income for the year</b>		<b>968</b>	<b>1,592</b>
<b>Net profit for the year/period attributable to:</b>			
Equity holders of the parent		3,683	3,223
Non-controlling interests		95	59
<b>Net profit for the year/period</b>		<b>3,778</b>	<b>3,282</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the parent		873	1,533
Non-controlling interests		95	59
<b>Total comprehensive income</b>		<b>968</b>	<b>1,592</b>

  
Aleksandr Berdyuk  
Director

  
Bizserve Investments Limited  
Director

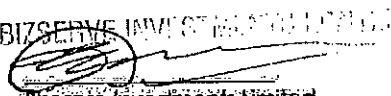
  
Bizserve Management Limited  
Director

# AGROLIGA GROUP PLC.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION 31 December 2016

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

  
Aleksandr Berdnik  
Director

  
Bizserve Investments Limited  
Director

  
Bizserve Management Limited  
Director

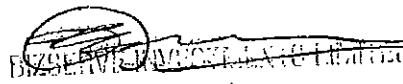
# AGROLIGA GROUP PLC.

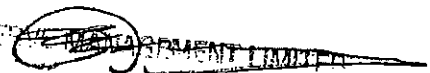
## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY Year ended 31 December 2016

	Attributable to equity holders of the Company				Non-controlling interests	Total
	Share capital	Share premium	Translation reserve	Retained earnings		
	€000	€000	€000	€000	€000	€000
Balance at 1 January 2015	51	953	(5,783)	14,418	230	9,869
<b>Comprehensive Income</b>						
Net profit for the year	-	-	-	3,223	59	3,282
Elimination from share capital due to change of status of Vostokagro contract from combined to consolidated	(20)	-	-	-	-	(20)
Exchange difference on the translation and consolidation of foreign companies' financial statements	-	-	(1,690)	-	-	(1,690)
Balance at 31 December 2015/1 January 2016	31	953	(7,473)	17,641	289	11,441
<b>Comprehensive Income</b>						
Net profit for the year	-	-	-	3,683	95	3,778
Exchange difference on the translation and consolidation of foreign companies' financial statements	-	-	(2,810)	-	-	(2,810)
Balance at 31 December 2016	31	953	(10,283)	21,324	384	12,409

share premium is not available for distribution

  
Oleksandr Berdnyk  
Director


  
Bizserve Investments Limited  
Director

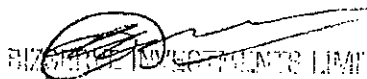
  
Bizserve Management Limited  
Director

# AGROLIGA GROUP PLC.

## CONSOLIDATED STATEMENT OF CASH FLOWS Year ended 31 December 2016

	2016 €'000	2015 €'000
<b>Cash flows from operating activities</b>		
Profit before tax	3,678	3,188
Adjustments for:		
Depreciation of property, plant and equipment	188	163
Exchange differences arising on the translation of assets & liabilities in foreign currencies	2,049	(1,178)
Interest income	(64)	(277)
Interest expense	192	336
<b>Cash flows from operations before working capital changes</b>	<b>6,043</b>	<b>2,232</b>
Decrease/(increase) in inventories and work in progress	(2,913)	370
Decrease/(increase) in trade and other receivables	(2,698)	1,282
Decrease/(increase) / (increase) in biological assets	134	(170)
Increase/(decrease) in trade and other payables	2,078	(985)
<b>Cash flows from operations</b>	<b>2,646</b>	<b>2,729</b>
Tax (paid)/refunded	9	106
<b>Net cash flows from operating activities</b>	<b>2,655</b>	<b>2,835</b>
<b>Cash flows from investing activities</b>		
Payment for purchase of property, plant and equipment	(1,010)	(1,953)
Loans granted	(146)	(60)
Net proceeds from disposal of property, plant and equipment	657	210
Interest received	38	277
<b>Net cash (loss) generated by investing activities</b>	<b>(481)</b>	<b>(1,526)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	3,732	-
Repayment of borrowings	(5,998)	(548)
Interest paid	(162)	(375)
<b>Net cash (loss) generated by financing activities</b>	<b>(2,428)</b>	<b>(923)</b>
<b>Net increase (decrease) in cash</b>	<b>(254)</b>	<b>385</b>
Cash at the beginning of the year	890	505
<b>Cash at the end of the year</b>	<b>636</b>	<b>890</b>

  
Oleksandr Berdnik  
Director

  
Bizserve Investments Limited  
Director

  
Bizserve Management Limited  
Director

# AGROLIGA GROUP PLC.

---

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

### 1. INCORPORATION AND PRINCIPAL ACTIVITIES

#### Country of Incorporation

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

#### Principal activities

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

#### The Group

These consolidated financial statements also include:

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

### 2. ACCOUNTING POLICIES

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

#### Basis of preparation

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

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

#### Adoption of new and revised IFRSs

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group plans to adopt the new standard on the required effective date. During 2016, the Group has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9. The Group expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent. The Group plans to adopt the new standard on the required effective date.

### Classification and measurement

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

### Impairment

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

### Hedge accounting

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

- IFRS 15 Revenue from Contracts with Customers - IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2016, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments.

- IAS 7 Disclosure Initiative – Amendments to IAS 7. The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of the amendments will result in additional disclosures provided by the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

– IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in the opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Group.

– IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2.

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

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

– IFRS 16 Leases. IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability

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

# AGROLIGA GROUP PLC.

---

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year ended 31 December 2016

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

### **Basis of consolidation**

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

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

### **Business combinations**

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

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

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

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

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or



# AGROLIGA GROUP PLC.

---

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

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

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

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

### Revenue recognition

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

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

### Finance costs

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

### Foreign currency translation

#### (1) Functional and presentation currency

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

#### (2) Transactions and balances

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

### Tax

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

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax

# AGROLIGA GROUP PLC.

---

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

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

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

### Dividends

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

### Biological assets

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

### Property, plant and equipment

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

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

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

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

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

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

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

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

### Deferred income from government grants

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

## **AGROLIGA GROUP PLC.**

---

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Year ended 31 December 2016

attaching to them and that the grants will be received. Government grants that relate to expenses are recognized in profit or loss as revenue.

# AGROLIGA GROUP PLC.

---

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

### **Financial instruments**

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

#### Trade receivables

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

#### Prepayments from clients

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

#### Loans granted

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

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

#### Cash and cash equivalents

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

#### Borrowings

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

#### Trade payables

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

### **Derecognition of financial assets and liabilities**

#### Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

# AGROLIGA GROUP PLC.

---

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

### Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

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

### **Impairment of assets**

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

### **Offsetting financial instruments**

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

### **Inventories**

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

### **Share capital**

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

### **Non-current liabilities**

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

### **Comparatives**

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

## **3. FINANCIAL RISK MANAGEMENT**

### **Financial risk factors**

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

# AGROLIGA GROUP PLC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

### 3.1 Interest rate risk

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

### 3.2 Credit risk

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

Sensitivity to credit risk

Carrying amount of financial assets is the maximum value, which is a subject to financial risk. Maximum value of credit risk as at 31 December 2016 and 31 December 2015 is disclosed in the following table:

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

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

### 3.3 Liquidity risk

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

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

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

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

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

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

## AGROLIGA GROUP PLC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

3.4 Groups of assets and liabilities	Excess (deficiency)	
	2016	2015
	€'000	€'000
1	(2,046)	244
2	4,415	2,103
3	5,717	4,668
4	(8,086)	(7,015)

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

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

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

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

The quick liquidity ratio shows how liquid funds of the entity cover its current liabilities. Liquid assets include all current assets of the entity, except for inventories. The recommended ratio from 0.7-0.8 to 1.5. As at 31.12.16 Group's liquid funds cover its current liabilities by 177.70% (as at 31.12.15 – 298.70%).

The current liquidity ratio shows whether the entity owns enough funds that may be used to repay its current liabilities during the year. The recommended ratio is from 1 to 2. As at 31.12.16, the Group has enough funds to repay its current liabilities.

The table below represents the analysis of Group's monetary liabilities by maturities based on the remaining term at the reporting date to the contractual maturity date, after 31 December 2016:

3.6 Liabilities in the Combined Statement of Financial Position as at 31.12.2016	Up to 1 year	From 1 to 5	Total
	€'000	years €'000	
Non-current borrowings	-	1,978	1,978
Current borrowings	1,136	-	1,136
Trade and other payables	2,657	-	2,657
<b>Total:</b>	<b>3,793</b>	<b>1,978</b>	<b>5,771</b>

The table below represents the analysis of Group's monetary liabilities by maturities based on the remaining term at the reporting date to the contractual maturity date, after 31 December 2015:

3.7 Liabilities in the Combined Statement of Financial Position as at 31.12.2015	Up to 1 year	From 1 to 5	Total
	€'000	years €'000	
Non-current borrowings	-	43	43
Current borrowings	750	-	750
Trade and other payables	579	-	579
<b>Total:</b>	<b>1,329</b>	<b>43</b>	<b>1,372</b>

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

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

# AGROLIGA GROUP PLC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

### 3.4 Currency risk

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

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

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

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

	Increase/ Decrease	Effect on profit before tax €'000
<b>31.12.2016</b>		
EUR	5%	(93)
EUR	(5%)	93
USD	5%	(15)
USD	(5%)	15
<b>31.12.2015</b>		
EUR	5%	(1)
EUR	(5%)	1
USD	5%	25
USD	(5%)	(25)

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

As at 31 December 2016:

	UAH €'000	EUR €'000	USD €'000	Total €'000
Non-current borrowings	(144)	(1,834)	-	(1,978)
Current borrowings	(996)	-	(140)	(1,136)
Trade and other payables	(1,609)	(612)	(436)	(2,657)
<b>Total financial liabilities</b>	<b>(2,749)</b>	<b>(2,446)</b>	<b>(576)</b>	<b>(5,771)</b>
Cash and cash equivalents	141	444	27	612
Trade and other receivables	5,152	152	255	5,559
<b>Total financial assets</b>	<b>5,293</b>	<b>596</b>	<b>282</b>	<b>6,171</b>
<b>Total carrying amount exposed to risk</b>	<b>2,544</b>	<b>(1,850)</b>	<b>(294)</b>	<b>400</b>

As at 31 December 2015:

	UAH €'000	EUR €'000	USD €'000	Total €'000
Non-current borrowings	(43)	-	-	(43)
Current borrowings	(750)	-	-	(750)
Trade and other payables	(12)	(129)	(438)	(579)
<b>Total financial liabilities</b>	<b>(805)</b>	<b>(129)</b>	<b>(438)</b>	<b>(1,372)</b>
Cash and cash equivalents	15	103	772	890
Trade and other receivables	2,691	-	162	2,853
<b>Total financial assets</b>	<b>2,706</b>	<b>103</b>	<b>934</b>	<b>3,743</b>
<b>Total carrying amount exposed to risk</b>	<b>1,901</b>	<b>(26)</b>	<b>496</b>	<b>2,371</b>



# AGROLIGA GROUP PLC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

### 3.5 Capital risk management

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

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

<b>3.8 Calculation of financial indicators</b>	<b>2016</b>	<b>2015</b>
	<b>€'000</b>	<b>€'000</b>
Share capital	31	31
Share premium	953	953
Translation reserve	(10 283)	(7 473)
Retained earnings	21 324	17 641
Non-controlling interests	384	289
<b>Total equity</b>	<b>12 409</b>	<b>11 441</b>
Non-current borrowings	1 978	43
Current borrowings	1 136	750
Trade and other payables	2 657	579
<b>Total borrowings</b>	<b>5 771</b>	<b>1 372</b>
Cash and cash equivalents	636	890
<b>Net debt</b>	<b>5 135</b>	<b>482</b>
Total equity and net debt	17 544	11 923
<b>Net debt/ Total equity and net debt</b>	<b>0,292</b>	<b>0,040</b>

Accumulated profit of the Group is characterized by increase. Thus, from 31.12.2015 to 31.12.2016 the indicator has increased by EUR 3.662 thousand. As at 31.12.2016 the total equity increased by EUR 968 thousand compared with 2015. As at 31.12.2016 the total amount of borrowings increased by 320,63% compared with 2015, which confirms the increase of the Group's financial dependence on external financing. As at 31.12.2016 the total amount of borrowings was EUR 5.796 thousand.

<b>3.9 Calculation of financial indicators</b>	<b>2016</b>	<b>2015</b>
	<b>€'000</b>	<b>€'000</b>
Profit (loss) before tax	3 678	3 188
Financial income/(expenses), net	(128)	(360)
<b>EBIT (earnings before interests and taxes)</b>	<b>3 806</b>	<b>3 548</b>
Depreciation of property, plant and equipment and amortization of intangible assets	188	163
<b>EBITDA (earnings before interests, taxes, depreciation and amortization)</b>	<b>3 994</b>	<b>3 711</b>
Net debt at the end of the year	5 135	549
<b>Net debt at the end of the year / EBITDA</b>	<b>1,286</b>	<b>0,148</b>

The term EBITDA means an analytical indicator, equal to the amount of profit before accrued interest expenses, taxes and depreciation deductions. There were no changes in approaches to capital management in reporting periods. In 2016 EBITDA indicator has significantly increased compared with 2015 by EUR 253 thousand.

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

# AGROLIGA GROUP PLC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year ended 31 December 2016

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

### Provision for bad and doubtful debts

The Group reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record and the customer's overall financial position. If indications of irrecoverability exist, the recoverable amount is estimated and a respective provision for bad and doubtful debts is made. The amount of the provision is charged through profit or loss. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly.

### Provision for obsolete and slow-moving inventory

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

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

### Income taxes

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

### Impairment of non-financial assets

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

## 5. REVENUE

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

## 6. INCOME FROM GOVERNMENT GRANTS

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

# AGROLIGA GROUP PLC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

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

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

### 8. EXPENSES

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

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

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

# AGROLIGA GROUP PLC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

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

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

### 10. TAXES

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

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

### 11. PROPERTY, PLANT AND EQUIPMENT

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

# AGROLIGA GROUP PLC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

	Buildings	Property under construction	Agricultural equipment	Motor vehicles and other fixed assets	Production equipment	Total
Cost	€'000	€'000	€'000	€'000	€'000	€'000
<b>Balance at 31 December 2015</b>	<b>1,259</b>	<b>1,019</b>	<b>1,273</b>	<b>211</b>	<b>493</b>	<b>4,255</b>
Additions	549	-	386	39	36	1,010
Disposals	-	(647)	(2)	(8)	-	(657)
Exchange differences	(107)	(16)	(146)	3	(33)	(299)
<b>Balance at 31 December 2016</b>	<b>1,701</b>	<b>356</b>	<b>1,511</b>	<b>245</b>	<b>496</b>	<b>4,309</b>
<b>Depreciation</b>						
<b>Balance at 31 December 2015</b>	<b>(323)</b>	<b>-</b>	<b>(281)</b>	<b>-</b>	<b>(76)</b>	<b>(680)</b>
Reclassification of depreciation between categories of property, plant and equipment	234	-	(208)	(15)	(11)	-
Charge for the year	(72)	-	(69)	(19)	(28)	(188)
On disposal	-	-	2	8	-	10
Exchange differences	2	-	92	(57)	5	42
<b>Balance at 31 December 2016</b>	<b>(159)</b>	<b>-</b>	<b>(464)</b>	<b>(83)</b>	<b>(110)</b>	<b>(816)</b>
<b>Net book value</b>						
<b>Balance at 31 December 2016</b>	<b>1,542</b>	<b>356</b>	<b>1,047</b>	<b>162</b>	<b>386</b>	<b>3,493</b>
Balance at 31 December 2015	1,170	1,019	784	196	406	3,575
Balance at 31 December 2014	1,076	182	853	26	546	2,683

## 12. BIOLOGICAL ASSETS

12.1. Biological assets in the Combined Statement of Financial Position	2016 €'000	2015 €'000
<b>Non-current biological assets</b>		
Cattle	79	137
Gardens	18	15
<b>Current biological assets</b>		
Cattle	215	229
Sunflower	277	365
Wheat	57	11
Other cereals	51	76
<b>Total:</b>	<b>697</b>	<b>833</b>

# AGROLIGA GROUP PLC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year ended 31 December 2016

<b>12.2. Biological assets</b>	<b>2016</b>	<b>2015</b>
	<b>€'000</b>	<b>€'000</b>
<b>Balance at 1 January</b>	<b>833</b>	<b>663</b>
Increases due to purchases	-	349
Decrease in value due to disposal and products gathering	(4 616)	(459)
Increase in value due to capitalized expenses	4 655	455
Exchange difference	(98)	(178)
Gains arising from changes in fair value	(77)	3
<b>Balance at 31 December</b>	<b>697</b>	<b>833</b>
Non-current portion	97	152
Current portion	600	681
<b>Total:</b>	<b>697</b>	<b>833</b>

### 13. NON-CURRENT LOANS RECEIVABLE

<b>13.1. Non-current loans receivable</b>	<b>2016</b>	<b>2015</b>
	<b>€'000</b>	<b>€'000</b>
Loans to shareholders (note 22.4)	718	473
<b>Total:</b>	<b>718</b>	<b>473</b>

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

### 14. INVENTORIES AND WORK IN PROGRESS

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

### 15. TRADE AND OTHER RECEIVABLES

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

## AGROLIGA GROUP PLC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

<b>15.2 Trade receivables by the period (overdue, but not impaired)</b>	<b>2016</b>	<b>2015</b>
	<b>€'000</b>	<b>€'000</b>
less than 60 day	569	495
60-90 days	140	122
90-120 days	430	374
more than 120 days	953	1,123
<b>Total:</b>	<b>2,092</b>	<b>2,114</b>

<b>15.3 Doubtful debts allowance</b>	<b>2016</b>	<b>2015</b>
	<b>€'000</b>	<b>€'000</b>
Opening balance	(38)	(123)
Allowance reversal	38	123
Charge to allowance	(350)	(38)
<b>Closing balance</b>	<b>(350)</b>	<b>(38)</b>

<b>15.4 Other receivables</b>	<b>2016</b>	<b>2015</b>
	<b>€'000</b>	<b>€'000</b>
Advances made	2,832	626
Doubtful debts allowance for advances	(72)	-
Advances to related parties (note 22.3)	22	-
Tax prepayments	364	193
Other current receivables	321	3
Doubtful debts allowance for other receivables	(8)	(83)
<b>Total:</b>	<b>3,459</b>	<b>739</b>

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

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

#### 16. CASH AND CASH EQUIVALENTS

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

# AGROLIGA GROUP PLC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

### 17. ISSUED CAPITAL AND RESERVES

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

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

### 18. BORROWINGS

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

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

### 19. DEFERRED TAXES

Deferred tax is calculated in full on all temporary differences under the liability method using the applicable tax rates (Note 11). The applicable corporation tax rate in the case of tax losses is 12,5% and 18% for the Cyprus and Ukrainian entities respectively.

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

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



# AGROLIGA GROUP PLC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year ended 31 December 2016

The movement on the deferred taxation account is as follows:

### Deferred tax liability

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

### Deferred tax assets

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

## 20. TRADE AND OTHER PAYABLES

20.1. Trade and other payables	2016 €'000	2015 €'000
Trade payables	2 345	165
Trade payables from related parties (note 22.5)	253	153
Prepayments from clients	27	105
Directors' current accounts (note 22.7)	4	4
Other creditors	272	152
<b>Total</b>	<b>2.657</b>	<b>579</b>

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

# AGROLIGA GROUP PLC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

### 21. OPERATING ENVIRONMENT OF THE GROUP

Ukraine has been experiencing substantial politic and economic changes in recent years, and these changes continuously influenced activities of the Group. Currently Ukraine is going through a transitional period that going to stabilize its political environment and lead to economic growth. Unique combination of natural, intellectual, human and production resources in line with effective and professional government opens plenty of new opportunities for development of the country in geopolitical scale, which is also changing permanently. So, prospects for future economic stability in Ukraine considerably depend upon effective economic steps and reforms together with development of legislation and politics, which are not under the control of the Group. These consolidated financial statements represent current assessment of the management of Ukrainian business environment on activities of the Group, its financial position. However, the future conditions could differ from this assessment.

### 22. RELATED PARTY TRANSACTIONS

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

The following transactions were carried out with related parties:

#### 22.1 Sales of goods and services

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

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

#### 22.2 Purchases of goods and services

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

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

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

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

## AGROLIGA GROUP PLC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

#### 22.4 Loans to shareholders (note 13.1)

	2016	2015
	€'000	€'000
Loan to shareholders	718	473
<b>Total</b>	<b>718</b>	<b>473</b>

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

#### 22.5 Payables to related parties (note 20.1)

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

#### 22.6 Loans from related undertakings (note 18.1)

	2016	2015
	€'000	€'000
Loans from related parties	39	59
<b>Total</b>	<b>39</b>	<b>59</b>

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

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

	2016	2015
	€'000	€'000
O. Berdnyk	4	4
<b>Total</b>	<b>4</b>	<b>4</b>

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

### 23. CONTINGENT LIABILITIES

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

### 24. COMMITMENTS

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

### 25. GOING CONCERN

For the year ended 31 December 2016, the Group's profit amounted to EUR 3,779 thousand. Thus, as at 31 December 2016, current assets of the Group exceeded its current liabilities by EUR 10,486 thousand. Despite the positive indicators in 2016, the Group could be impacted by the factors and risks that will make

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

doubtful the possibility of the Group to continue in the future on a going concern basis.

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

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

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

### **26. EVENTS AFTER THE REPORTING PERIOD**

Agroliga Group combines a number of dynamically developing medium-sized companies, which operate in the agricultural sector of Ukraine. This Group of Companies cultivates 9.5 thousand hectares of land in the East of Ukraine, in Kharkiv and Dvurechansky District of Kharkiv Region. The main products of the Group of Companies: sunflower, sunflower oil, wheat and barley grain, corn, rape, buckwheat, and milk.

The company plans to begin construction of a new oil extraction plant. We plan to triple the processing capacity to 10,000 tons per month, and a modern extraction line will also be launched. We will launch the first stage for the new season of 2017. After the launch of the plant, the market share of the sunflower oil market in the Kharkov region will reach 10-12%.

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