BLACK EARTH FARMING LIMITED
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2018
# BLACK EARTH FARMING LIMITED
## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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</table>
| **BLACK EARTH FARMING LIMITED**  
| **OFFICERS AND PROFESSIONAL ADVISERS** |
|---|---|
| **Directors** | Franco Danesi  
Per-Arne Ahlgren  
Richard Warburton |
| **Secretary** | IQ EQ (NTC) Secretaries (Jersey) Limited  
(formerly First Names (NTC) Secretaries Limited) |
| **Registered Office** | 2<sup>nd</sup> Floor, Gaspé House  
66-72 Esplanade  
St. Helier  
Jersey  
JE1 1GH |
| **Bankers** | Skandinaviska Enskilda Banken  
Bank of Cyprus |
| **Auditors** | AO PricewaterhouseCoopers Audit |
The directors present their report together with the financial statements of Black Earth Farming Limited (the “Company”) for the year ended 31 December 2018.

ACTIVITIES

The principal activity of the Company, which is incorporated in Jersey, Channel Islands, is investment holding.

RESULTS AND MANAGEMENT COMMENTARY

The results for the year are set out in the Statement of Profit or Loss and Other Comprehensive Income.

Since inception principal activity of Black Earth Farming Limited has been investment in a Group of companies (“the Group”) involved in (a) acquiring and registering farm land into ownership, (b) operating a large fleet of western agricultural machinery and (c) supporting storage infrastructure for the Group’s operations in the Russian Federation.

As previously communicated, the Company has been involved as plaintiff in a litigation process in the United States of America. In January 2019 the parties to the litigation process agreed on a settlement. Following the resolution of legal case the Board of Directors intends to propose that the Annual General Meeting resolves on a voluntary liquidation of the Company after the distribution of liquidation proceeds.

Overall the aim is to complete all necessary processes to manage the liquidation and distribution of proceeds as cost efficiently as possible.

DIVIDEND

No dividend was declared for 2018 (2017: nil).

DIRECTORS

The following have served as directors to date:

Per-Arne Ahlgren
Franco Danesi
Richard Warburton

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Companies (Jersey) Law 1991 requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the Company for that period.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board’s Framework for the preparation and presentation of financial statements. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

a) properly select and apply accounting policies;
b) present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
c) provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
d) make an assessment of the company's ability to continue as a going concern.
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as the Directors are aware, there is no relevant audit information of which the Company’s auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company’s auditors are aware of that information.

SECRETARY

IQ EQ (NTC) Secretaries (Jersey) Limited (until 25 March 2019 First Names (NTC) Secretaries Limited) served for the whole of the year and to date.

AUDITORS

AO PricewaterhouseCoopers Audit were appointed as auditors at the AGM held on 30 July 2018.

BY ORDER OF THE BOARD

17 June 2019

IQ EQ (NTC) Secretaries (Jersey) Limited

Company Secretary
Independent Auditor’s Report

To the Members of Black Earth Farming Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Black Earth Farming Limited (the “Company”) as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

What we have audited:
The Company’s financial statements comprise:

• the statement of financial position as at 31 December 2018;
• the statement of profit or loss and other comprehensive income for the year then ended;
• the statement of changes in equity for the year then ended;
• the statement of cash flows for the year then ended; and
• the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”) together with the ethical requirements of the Auditor’s Professional Ethics Code and Auditor’s Independence Rules that are relevant to our audit of the financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Emphasis of Matter

We draw attention to Note 1 to the accompanying financial statements, which describes how the Company’s directly owned subsidiary on 12 May 2017 completed the sale of its Russian operating subsidiaries to a third party buyer and how the Board of Directors intend to seek the voluntary liquidation of the Company. The accompanying financial statements therefore are not prepared on a going concern basis. Our opinion is not modified in respect of this matter.
Responsibilities of the directors and those charged with governance for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, the requirements of the Companies (Jersey) Law 1991 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and not using the going concern basis of accounting where the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor’s Responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the 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 Company’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.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
Independent Auditor’s Report (continued)

We communicate with those charged with governance 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.

Report on other legal and regulatory requirements

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

This report, including the opinion, has been prepared for and only for the members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 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 whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

17 June 2019
Moscow, Russian Federation

Alexei Ivanov, certified auditor (licence No. 01-000531), AO PricewaterhouseCoopers Audit

Audited entity: Black Earth Farming Limited
Certificate of incorporation/re-registration issued on 20 April 2005 under registration No. 89973
2nd Floor, 66-72 Esplanade, St. Helier JE1 1GH, Jersey

Independent auditor: AO PricewaterhouseCoopers Audit
Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890
Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 10277004148431
Member of Self-regulated organization of auditors «Russian Union of auditors» (Association)
Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 11603050547

The maintenance and integrity of the website of Black Earth Farming Limited is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.
BLACK EARTH FARMING LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

<table>
<thead>
<tr>
<th>In thousands of US Dollars</th>
<th>Notes</th>
<th>31 Dec 2018</th>
<th>31 Dec 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consulting and audit expenses</td>
<td></td>
<td>(187)</td>
<td>(4,516)</td>
</tr>
<tr>
<td>Personnel expenses</td>
<td></td>
<td>(16)</td>
<td>(5,577)</td>
</tr>
<tr>
<td>Other expenses</td>
<td></td>
<td>(74)</td>
<td>(403)</td>
</tr>
<tr>
<td><strong>Operating loss</strong></td>
<td></td>
<td><strong>(277)</strong></td>
<td><strong>(10,496)</strong></td>
</tr>
<tr>
<td>Dividends received</td>
<td>4</td>
<td>190</td>
<td>57,944</td>
</tr>
<tr>
<td>Impairment of investment</td>
<td>4</td>
<td>(174)</td>
<td>-</td>
</tr>
<tr>
<td>Income on futures and options</td>
<td></td>
<td>-</td>
<td>9,717</td>
</tr>
<tr>
<td>Loan write-off</td>
<td></td>
<td>-</td>
<td>(1,373)</td>
</tr>
<tr>
<td>Financial income</td>
<td>6</td>
<td>6</td>
<td>245</td>
</tr>
<tr>
<td>Financial expense</td>
<td>8</td>
<td>-</td>
<td>(2,877)</td>
</tr>
<tr>
<td>Foreign exchange gain</td>
<td></td>
<td>109</td>
<td>1,732</td>
</tr>
<tr>
<td><strong>(Loss) / profit for the year</strong></td>
<td></td>
<td><strong>(146)</strong></td>
<td><strong>54,892</strong></td>
</tr>
</tbody>
</table>

**Other comprehensive (loss) / income:**

*Items that may be reclassified subsequently to profit or loss:*

| Translation of financial information to presentation currency | (124) | 1,739 |

**Other comprehensive (loss) / income for the year**

|                       | (124) | 1,739 |

**TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR**

|                       | (270) | 56,631 |

The notes set out on pages 5 to 18 form an integral part of these financial statements.
### BLACK EARTH FARMING LIMITED
### STATEMENT OF FINANCIAL POSITION
### FOR THE YEAR ENDED 31 DECEMBER 2018

In thousands of US Dollars

<table>
<thead>
<tr>
<th>Note</th>
<th>31 Dec 2018</th>
<th>31 Dec 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in subsidiaries</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>5</td>
<td>570</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| **EQUITY AND LIABILITIES** |
| **EQUITY** |
| Share capital | 7 | 1,111 | 1,111 |
| Share premium | 7 | 266,802 | 266,802 |
| Accumulated deficit | | (66,928) | (66,782) |
| Translation reserve | | (200,465) | (200,341) |
| **Total equity** | | | 520 |

| **LIABILITIES** |
| Current liabilities |
| Accounts payable | 6 | 54 | 1,533 |
| **Total current liabilities** | | | 54 |
| **Total liabilities** | | | 54 |
| **Total equity and liabilities** | | | 574 |

These financial statements were approved by the Board on 17 June 2019.

_____________________________
Richard Warburton
Director

The notes set out on pages 5 to 18 form an integral part of these financial statements.

2
In thousands of US Dollars

<table>
<thead>
<tr>
<th>Notes</th>
<th>Share capital</th>
<th>Share premium</th>
<th>Share-based payments reserve</th>
<th>Accumulated deficit</th>
<th>Translation reserve</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at 1 January 2017</td>
<td>2,105</td>
<td>525,904</td>
<td>4,858</td>
<td>(206,036)</td>
<td>(201,699)</td>
<td>125,132</td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Translation differences</td>
<td></td>
<td></td>
<td></td>
<td>54,892</td>
<td></td>
<td>54,892</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,739</td>
</tr>
<tr>
<td>Shares redemption</td>
<td>7 (1,111)</td>
<td>(266,802)</td>
<td></td>
<td></td>
<td></td>
<td>(183,620)</td>
</tr>
<tr>
<td>Reclassification from Share-based payments reserve to Accumulated deficit</td>
<td>-</td>
<td>-</td>
<td></td>
<td>1,041</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recognition of share-based payments</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shares issued</td>
<td>7 117</td>
<td>7,700</td>
<td>(7,817)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warrants redemption</td>
<td></td>
<td></td>
<td>(566)</td>
<td>(973)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as at 31 December 2017</td>
<td>1,111</td>
<td>266,802</td>
<td></td>
<td>(66,782)</td>
<td>(200,341)</td>
<td>790</td>
</tr>
<tr>
<td>Balance as at 1 January 2018</td>
<td>1,111</td>
<td>266,802</td>
<td></td>
<td>(66,782)</td>
<td>(200,341)</td>
<td>790</td>
</tr>
<tr>
<td>Loss for the year</td>
<td></td>
<td></td>
<td></td>
<td>(146)</td>
<td></td>
<td>(146)</td>
</tr>
<tr>
<td>Other comprehensive loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Translation differences</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(124)</td>
<td>(124)</td>
</tr>
<tr>
<td>Total comprehensive loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(270)</td>
</tr>
<tr>
<td>Balance as at 31 December 2018</td>
<td>1,111</td>
<td>266,802</td>
<td></td>
<td>(66,928)</td>
<td>(200,465)</td>
<td>520</td>
</tr>
</tbody>
</table>

The notes set out on pages 5 to 18 form an integral part of these financial statements.
# BLACK EARTH FARMING LIMITED

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

---

**In thousands of US Dollars**

<table>
<thead>
<tr>
<th>Note</th>
<th>Year ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31 Dec 2018</td>
</tr>
</tbody>
</table>

### CASH FLOWS FROM OPERATING ACTIVITIES

(Change) / profit for the year  
(146)  
54,892

Adjustments for:

- Loan write-off  
-  
1,373  

- Foreign exchange gain  
(109)  
(1,732)  

- Financial expense  
-  
2,877  

- Long-term employee benefits  
-  
4,186  

- Financial income  
(6)  
(245)  

- Dividends received  
4  
(190)  
(57,944)  

- Impairment of investment  
4  
174  

(277)  
3,407

### Movements in working capital:

- Decrease in accounts receivable  
-  
189  

- Decrease in accounts payable  
(1,267)  
(603)  

Cash (used in) / from operating activities  
(1,544)  
2,993

- Interest paid  
-  
(2,904)  

- Interest received  
6  
245  

Net cash (used in) / generated from operating activities  
(1,538)  
334

### CASH FLOWS FROM INVESTING ACTIVITIES

- Repayment of loans issued  
-  
151,378  

- Loans issued to related parties  
-  
(8,960)  

- Dividends received  
-  
91,601  

Net cash generated from investing activities  
-  
234,019

### CASH FLOWS USED IN FINANCING ACTIVITIES

- Repurchase of bonds  
-  
(47,690)  

- Repayment of borrowings  
-  
(5,178)  

- Capital distributions to shareholders other than dividends  
-  
(188,403)  

Net cash used in financing activities  
-  
(241,271)

**Net decrease in cash and cash equivalents**  
(1,538)  
(6,918)

Cash and cash equivalents at the beginning of the year  
2,117  
5,789

Effect of exchange rate fluctuations on cash and cash equivalents  
(9)  
3,246

Cash and cash equivalents at the end of the year  
570  
2,117

---

The notes set out on pages 5 to 18 form an integral part of these financial statements.
1 BACKGROUND

(a) Organization and operations

Black Earth Farming Limited (the “Company”) is a limited liability company incorporated in Jersey, Channel Islands, on 20 April 2005, re-registered on 30 October 2006 as a public company. Until 12 May 2017, the Company was the holding company for a number of legal entities established under the legislation of Cyprus, Guernsey (Channel Islands) and the Russian Federation. At 31 December 2018, the Company is the holding company of one entity, established under the legislation of Cyprus (see Note 4). Hereinafter the Company and its subsidiaries are together referred to as the “Group”.

The Company's registered office is 2nd Floor, 66-72 Esplanade, St. Helier JE1 1GH, Jersey (before 23 July 2018 3rd Floor, 37 Esplanade, St. Helier JE2 3QA, Jersey).

Until 13 December 2017, the Company's shares were listed in the form of Swedish Depository Receipts (“SDR”) on the Small Cap segment on NASDAQ OMX Stockholm. On 14 November 2017, NASDAQ OMX Stockholm approved the Company's delisting application and has determined the last day of trading in the Company's SDRs as 13 December 2017.

Until 12 May 2017, the Group’s activities included farming, production of crops and dairy produce and the distribution of related products in the Russian Federation and exporting to other countries.

In February 2017, the Group entered into a framework share purchase agreement to sell all its Russian operating subsidiaries to a third-party buyer for a consideration exceeding the carrying value of the respective net assets. On 12 May 2017, the sale transaction was completed. In August 2017, the shareholders approved the share split and the Company determined the total amount to be distributed through the proposed mandatory share redemption program. On 6 September 2017, the funds of SEK 1,501,439 thousand (USD 188,403 thousand translated at the exchange rate at that date) were distributed to the shareholders, corresponding to an amount of SEK 6.76 per redeemable share. Certain funds were held in reserve to finance the cost of an ongoing litigation in which the Company was a plaintiff in the United States of America.

In January 2019 the parties of the litigation process agreed on a settlement (see Note 11). Following the resolution of the legal case the Board of Directors intends to propose that the Annual General Meeting resolves on a voluntary liquidation of the Company after the distribution of liquidation proceeds. Accordingly, these separate financial statements are not prepared on a going concern basis.

2 BASIS OF PREPARATION

(a) Basis of preparation

As stated in Note 1, these separate financial statements are not prepared on a going concern basis.

Nevertheless, these separate financial statements of the Company are still prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), pursuant to the requirements of the Companies (Jersey) Law 1991.

These financial statements have been prepared under the historical cost convention.

The principal accounting policies applied in the preparation of these separate financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 9 “Financial Instruments” (IFRS 9) effective from 1 January 2018, these policies have been consistently applied to all the periods presented, including classification of all assets and liabilities of the Company at 31 December 2018 and 2017 as current, including those previously treated as non-current, due to the fact that these assets and liabilities are in the process of realisation, as described in Note 1, even if it was not certain that all these net assets will be realised within 12 months of the balance sheet date.

The preparation of financial statements in conformity with IFRS as adopted by the EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.
2 BASIS OF PREPARATION (CONTINUED)

(b) Functional and presentation currency

The functional currency of the Company is considered to be the Russian Ruble ("RUB"), the currency of the primary economic environment that affected the Company’s operations prior to the disposal of the Company’s subsidiaries described in Note 1.

The Company’s presentation currency is US Dollar ("USD") which the management considers most representative for the users of these financial statements. All the financial information in these financial statements, including comparative information, has been translated from RUB into USD using the exchange rates set by the Central Bank of the Russian Federation, as follows:

- Assets and liabilities for each balance sheet date are translated at the closing rate at the date of that balance sheet;
- Share capital and other equity components are translated at historic rates;
- Income and expenses are translated at exchange rates at the dates of the transactions (or at average exchange rates that approximate the translation using the rate of the actual transaction dates);
- All resulting exchange differences are recognized in other comprehensive income and accumulated as a separate component of equity.

The period-end exchange rates and the average exchange rates for the respective reporting periods are indicated below.

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>RUB/USD average for the year ended 31 December</td>
<td>62.6929</td>
<td>58.3529</td>
</tr>
<tr>
<td>RUB/USD as at 31 December</td>
<td>69.4706</td>
<td>57.6002</td>
</tr>
<tr>
<td>RUB/SEK average for the year ended 31 December</td>
<td>7.2054</td>
<td>6.8387</td>
</tr>
<tr>
<td>RUB/SEK as at 31 December</td>
<td>7.7488</td>
<td>6.9992</td>
</tr>
</tbody>
</table>

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Investments in Subsidiaries

Subsidiaries are those investees (including special purpose entities) over which the Company has control because the Company (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor’s returns. In its parent company’s financial statements, the Company carries the investments in subsidiaries at cost less any impairment.

Income from investments in subsidiaries could be recognised as either a dividend income or a reduction of the cost of investment. The Company applies judgement in determining the appropriate accounting treatment, based on the substance of the transaction.

(b) Financial Instruments

Financial instruments – key measurement terms. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.
3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Valuation techniques such as discounted cash flow models or models based on recent arm’s length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost (“AC”) is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses (“ECL”). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired (“POCI”) at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Accounting policy applied after 1 January 2018, the date of transition to IFRS 9

Financial instruments – initial recognition. Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention (“regular way” purchases and sales) are recorded at trade date, which is the date on which the Company commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets – classification and subsequent measurement – measurement categories. The Company classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Company’s business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.
3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company classifies financial assets at amortized cost only if both of the following criteria are met:

(a) financial asset is within the framework of a business model, the purpose of which is to hold financial assets in order to obtain the contractual cash flows; and

(b) contractual terms of the financial asset determine the receipt of cash flows on specified dates, which are solely payments on the principal amount of the debt and interest on the outstanding amount of the principal amount.

All financial assets as of 31 December 2018 are classified as measured at amortized cost. All financial assets as of 31 December 2017 are classified as loans and receivables.

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Company manages the assets in order to generate cash flows – whether the Company’s objective is: (i) solely to collect the contractual cash flows from the assets (“hold to collect contractual cash flows”), or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets (“hold to collect contractual cash flows and sell”) or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of “other” business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Company undertakes to achieve the objective set out for the portfolio available at the date of the assessment.

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Company assesses whether the cash flows represent solely payments of principal and interest (“SPPI”). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin. Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model.

Financial assets impairment – credit loss allowance for ECL. The Company assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Company measures ECL and recognises Net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC and contract assets are presented in the statement of financial position net of the allowance for ECL.

Financial assets - derecognition. The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.
3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Financial assets – modification.** The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Company also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Company compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition.

The Company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

**Financial liabilities – measurement categories.** Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

As at 31 December 2018 all financial liabilities are measured at amortized cost. As at 31 December 2017 financial liabilities held for trading are recorded at fair value with changes attributable to the profit and loss for the year (as financial income or financial costs) in the period in which they arise. Other financial liabilities are carried at amortized cost.

**Financial liabilities – derecognition.** Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

**Financial liabilities – modification.** Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

**Accounting policy applied before 1 January 2018, the date of transition to IFRS 9**

**Classification of financial assets.** The Company's financial assets refer to the loans and receivables category that is represented by unquoted non-derivative financial assets with fixed or determinable payments other than those that the Company intends to sell in the near term. Carrying amounts of financial assets approximate fair values.

**Classification of financial liabilities.** Company's financial liabilities comprise other financial liabilities and financial liabilities classified at fair value through profit or loss. Other financial liabilities are carried at amortised cost.

**Initial recognition of financial instruments.** Financial assets including loans and receivables are initially recognised at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same financial instrument or by a valuation technique the inputs of which include only actual data from observable markets. All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention (“regular way” purchases and sales) are recorded at trade date, which is the date on which the Company commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.
3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities are initially recorded at fair value less transaction costs incurred (except for financial liabilities at fair value through the statement of profit or loss and other comprehensive income).

*Derecognition of financial instruments.* The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

A financial liability is derecognised from the statement of financial position if it was settled, cancelled or expired. This applies to all types of financial liabilities, including supplier financing arrangements.

If the existing financial liability is replaced by another liability to the same creditor, on terms that significantly differ from the previous terms, or the terms of the existing liability significantly differ from the previous terms, such replacement or change is recorded as de-recognition of the initial liability and recognition of a new liability, and the difference in their carrying amount is recognised in the statement of profit or loss and other comprehensive income.

*Impairment of financial assets carried at amortised cost.* Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which has an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Company determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Company considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion or instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Company obtains;
- the counterparty is considering bankruptcy or a financial reorganisation;
- there is an adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty; or
- the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the assets being evaluated. Future cash flows in a group of financial assets that are collectively evaluated for impairment, are estimated on the basis of the contractual cash flows of the assets and the experience of the management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods, and to remove the effects of past conditions that do not exist currently.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms.
3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment losses are always recognised through an allowance account to write down the asset’s carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account within the profit or loss for the year.

**Offsetting financial instruments.** Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

**Cash and cash equivalents.** Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation, such as the bail-in legislation in certain countries, do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed.

**Trade and other payables.** Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at AC using the effective interest method.

(c) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

(d) Income tax

The Company is subject to Jersey income tax at the rate 0% (2017: 0%), therefore no current or deferred tax is recognized in the statement of profit or loss and other comprehensive income.

(e) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(f) Contingent assets

Contingent assets are not recognised since this may result in the recognition of income that may never be realised. However, when the realisation of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate. A contingent asset is disclosed where an inflow of economic benefits is probable.
3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Adoption of new and amended standards

The Company has adopted IFRS 9 from 1 January 2018. The Company applied simplified method of transition to IFRS 9, and elected to apply the practical expedient available for simplified transition method. Consequently, the revised requirements of the IFRS 7, Financial Instruments: Disclosures, have only been applied to the current period. The comparative period disclosures repeat those disclosures made in the prior year.

The significant new accounting policies applied in the current period and accounting policies applied prior to 1 January 2018 and applicable to the comparative information are disclosed in Note 3.

The Company has reviewed its financial assets and liabilities and identified that the application of the new standard did not have a significant impact on the Company, so the comparative data and the opening balance of the capital as at 1 January 2018 were not revised.

In addition to IFRS 9 the following amended standards became effective for the Company from 1 January 2018, but did not have any material impact on the Company:

- IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018).
- Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 2 “Share-based Payment” (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 4 - “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts” (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).
- Annual Improvements to IFRSs 2014-2016 cycle – Amendments to IFRS 1 an IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- IFRIC 22 “Foreign Currency Transactions and Advance Consideration” (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Amendments to IAS 40 – “Transfers of Investment Property” (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

Certain new standards, amendments to existing standards and interpretations have been issued that are mandatory for annual periods beginning on or after 1 January 2019, which the Company has not early adopted. Items marked with * have not been endorsed by the European Union (EU). The Company will only be able to apply new standards, amendments to existing standards or interpretations when these are endorsed by EU.

- IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (*) (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- IFRS 17 "Insurance Contracts" (*) (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).
- IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28 (*) (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Annual Improvements to IFRSs 2015-2017 cycle - amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (*) (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).
- Plan Amendment, Curtailment or Settlement - Amendments to IAS 19 (*) (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019)
- Amendments to References to the Conceptual Framework in IFRS Standards (*) (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Definition of a business – Amendments to IFRS 3 (*) (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).
- Definition of materiality – Amendments to IAS 1 and IAS 8 (*) (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Company’s financial statements.

(h) Use of judgements and estimates

Management has made a judgment that a successful outcome of the legal case, where the Company has been involved as a plaintiff, was not virtually certain as at the reporting date (see Note 11).

4 INVESTMENTS IN SUBSIDIARIES

<table>
<thead>
<tr>
<th>In thousands of US Dollars</th>
<th>31 Dec 2018</th>
<th>31 Dec 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planalto Enterprises Limited</td>
<td>4</td>
<td>206</td>
</tr>
<tr>
<td></td>
<td><strong>4</strong></td>
<td><strong>206</strong></td>
</tr>
</tbody>
</table>

Planalto Enterprises Limited

The investment represents 100% of the issued share capital of Planalto Enterprises Limited (Planalto), a company incorporated in Cyprus, whose principal activity before the sale of the Russian operating business had been the registering and acquisition of Russian subsidiaries.

During 2017 Planalto received proceeds from the sale of the Russian operating business (see Note 1) and distributed to the Company the amount of USD 91,601 thousand. As a result the cost of investment in subsidiary was reduced by USD 33,657 thousand to the amount of net assets of the subsidiary as at reporting date. The net amount of distribution received of USD 57,944 thousand was recognised as dividend income.

On 27 November 2018 Planalto declared dividends for 2017 in the amount of USD 190 thousand. As the Company had accounts payable to Planalto in the amount of USD 190 thousand, the parties made a decision to fully offset the amount payable by the Company to Planalto with the amount of dividends receivable due to the Company by Planalto.

As a result of the above transaction, the net assets of Planalto decreased to USD 4 thousand (31 December 2017: USD 206 thousand), and the Company’s investment in the subsidiary was reduced to that amount.

Since the sale transaction has been completed and funds have been distributed the Company intends to initiate a voluntary liquidation of Planalto.

As described in Note 2 (a), as at 31 December 2018 and 2017, all investments in subsidiaries are classified as current assets.
5  CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th>In thousands of US Dollars</th>
<th>31 Dec 2018</th>
<th>31 Dec 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank balances, USD denominated accounts</td>
<td>525</td>
<td>1,999</td>
</tr>
<tr>
<td>Bank balances, GBP denominated accounts</td>
<td>19</td>
<td>27</td>
</tr>
<tr>
<td>Bank balances, SEK denominated accounts</td>
<td>14</td>
<td>53</td>
</tr>
<tr>
<td>Bank balances, EUR denominated accounts</td>
<td>7</td>
<td>27</td>
</tr>
<tr>
<td>Bank balances, RUB denominated accounts</td>
<td>5</td>
<td>11</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>570</strong></td>
<td><strong>2,117</strong></td>
</tr>
</tbody>
</table>

6  ACCOUNTS PAYABLE

<table>
<thead>
<tr>
<th>In thousands of US Dollars</th>
<th>31 Dec 2018</th>
<th>31 Dec 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payables for consulting and auditing services</td>
<td>38</td>
<td>337</td>
</tr>
<tr>
<td>Payables to employees</td>
<td>-</td>
<td>1,134</td>
</tr>
<tr>
<td>Other payables</td>
<td>16</td>
<td>62</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>54</strong></td>
<td><strong>1,533</strong></td>
</tr>
</tbody>
</table>

7  SHARE CAPITAL

<table>
<thead>
<tr>
<th>In thousands of US Dollars</th>
<th>31 Dec 2018</th>
<th>31 Dec 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorised: 500,000,000 ordinary shares of USD 0.005 each</td>
<td>2,500</td>
<td>2,500</td>
</tr>
<tr>
<td><strong>Issued and fully paid</strong></td>
<td><strong>1,111</strong></td>
<td><strong>1,111</strong></td>
</tr>
</tbody>
</table>

The Company has one class of shares, namely ordinary shares. Each share is entitled to one vote at the annual general meeting and carries an equal right to the Company’s assets and profits. The shares are denominated in USD and have a nominal value of USD 0.005 (31 December 2017: USD 0.005) per share. There are no unpaid shares.

On 22 December 2007, the Company’s shares were listed in the form of Swedish Depository Receipts ("SDR") on the First North market place in Stockholm. On 22 June 2009, trading in the SDRs was transferred to the Mid Cap segment on NASDAQ OMX Stockholm. From 2 January 2015 to 13 December 2017, the SDRs were traded in the Small Cap segment on NASDAQ OMX Stockholm.

The total number of outstanding shares increased by 1,853,740 on 4 April 2017 and by 9,826,375 on 1 August 2017 as a result of the Group’s employees exercising their rights under the long-term incentive programs. This resulted in an increase of the share capital by USD 117 thousand and of the share premium by USD 7,700 thousand. Following the issue of the new shares, the total number of outstanding shares became 222,106,356 (2016: 210,426,241).

On 11 August 2017, the Annual General Meeting resolved to approve the execution of a share split and to effect the mandatory redemption program, whereby each outstanding share of USD 0.01 in the Company was divided into two shares of USD 0.005 each, with one of those shares being redeemable and the other non-redeemable. On 6 September 2017, the redemption of the SDRs and payment of the redemption amount of SEK 1,501,439 thousand (USD 188,403 thousand translated at the exchange rate at that date) was made to the holders of SDRs. As a result, the Company’s share capital decreased by USD 1,111 thousand, share premium decreased by USD 266,802 thousand and accumulated deficit decreased by USD 84,293 thousand.

Dividends

In accordance with the Jersey legislation, the Company’s distributable reserves are limited to the balance of the Company’s stand-alone retained earnings.

For the years ended 31 December 2018 and 2017, the Board of Directors proposed no dividends to be paid or declared.
8 FINANCIAL EXPENSE

In thousands of US Dollars

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2018</th>
<th>31 Dec 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest expense</td>
<td>- 2,291</td>
<td>- 2,877</td>
</tr>
<tr>
<td>Loss on repurchase of bonds</td>
<td>- 586</td>
<td></td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>- 2,877</td>
</tr>
</tbody>
</table>

9 FINANCIAL RISK MANAGEMENT

(a) Categories of financial instruments

Financial assets

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2018</th>
<th>31 Dec 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>570</td>
<td>2,117</td>
</tr>
<tr>
<td>Total</td>
<td>570</td>
<td>2,117</td>
</tr>
</tbody>
</table>

Financial liabilities

<table>
<thead>
<tr>
<th></th>
<th>31 Dec 2018</th>
<th>31 Dec 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>54</td>
<td>399</td>
</tr>
<tr>
<td>Total</td>
<td>54</td>
<td>399</td>
</tr>
</tbody>
</table>

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Cash and cash equivalents. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Exposure to credit risk

The carrying amount of financial assets as shown in the statement of financial position represents the maximum credit risk exposure.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities:

<table>
<thead>
<tr>
<th></th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>Less than 1 year</td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td>54</td>
<td>54</td>
</tr>
<tr>
<td></td>
<td>54</td>
<td>54</td>
</tr>
</tbody>
</table>

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.
9 FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency risk

The Company is exposed to currency risk on bank balances that are denominated in currencies other than the Russian Rouble (RUB).

The Company does not hedge currency risk; however, the Company has sufficient hard currency-denominated cash in order to meet its interest payment obligation.

The Company's exposure to currency risk, determined as the net monetary position in currencies other than RUB, was as follows:

<table>
<thead>
<tr>
<th>Currency</th>
<th>31 Dec 2018</th>
<th>31 Dec 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD</td>
<td>488</td>
<td>1,695</td>
</tr>
<tr>
<td>EUR</td>
<td>7</td>
<td>27</td>
</tr>
<tr>
<td>GBP</td>
<td>3</td>
<td>(71)</td>
</tr>
<tr>
<td>SEK</td>
<td>14</td>
<td>53</td>
</tr>
</tbody>
</table>

The following significant exchange rates applied during the year:

<table>
<thead>
<tr>
<th>Currency Pair</th>
<th>Rate at 31 Dec 2018</th>
<th>Average rate for 2018</th>
<th>Rate at 31 Dec 2017</th>
<th>Average rate for 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>RUB/USD</td>
<td>69.4706</td>
<td>62.6929</td>
<td>57.6002</td>
<td>58.3529</td>
</tr>
<tr>
<td>RUB/EUR</td>
<td>79.4605</td>
<td>73.9453</td>
<td>68.8668</td>
<td>65.9014</td>
</tr>
<tr>
<td>RUB/GBP</td>
<td>88.2832</td>
<td>83.5672</td>
<td>77.6739</td>
<td>75.1611</td>
</tr>
<tr>
<td>RUB/SEK</td>
<td>7.7488</td>
<td>7.2054</td>
<td>6.9992</td>
<td>6.8387</td>
</tr>
</tbody>
</table>

Foreign currency sensitivity analysis

A 10% strengthening / weakening of the RUB against the above currencies at 31 December 2018 would have increased / (decreased) equity and profit (2017: 10% strengthening / weakening of the RUB against the above currencies would have (decreased) / increased equity and profit) by the amounts shown below. This analysis assumes that all other variables remain constant.

<table>
<thead>
<tr>
<th>Currency</th>
<th>Equity</th>
<th>Profit or loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD</td>
<td>49</td>
<td>49</td>
</tr>
<tr>
<td>EUR</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>SEK</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>GBP</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Interest rate risk

Changes in interest rates impacted primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). The Company adopted a policy of limiting its exposure to changes in future cash flows by borrowing on a fixed rate basis. As at 31 December 2017 the Company fully redeemed its loans and borrowings.

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not have affected profit or loss.
9  FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair values

A number of the Company’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and for disclosure purposes. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(f) Capital management

The Board’s aim is to maintain positive net assets so as to be able to distribute the balance to the shareholders.

The capital structure of the Company consists of cash and cash equivalents and equity, comprising issued capital, reserves and retained earnings.

10  RELATED PARTY TRANSACTIONS

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

At 31 December 2018 and 2017, the outstanding balances with related parties that are members of the Group were as follows:

<table>
<thead>
<tr>
<th>Accounts Payable</th>
<th>31 Dec 2018</th>
<th>31 Dec 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planalto Enterprises Limited (Note 4)</td>
<td>-</td>
<td>188</td>
</tr>
</tbody>
</table>

During the year, the Company entered into the following transactions with related parties that are not members of the Group:

<table>
<thead>
<tr>
<th>Purchase of services from related parties</th>
<th>Year ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31 Dec 2018</td>
</tr>
<tr>
<td>TerraVost Ltd</td>
<td>3</td>
</tr>
<tr>
<td>KCM International Ltd</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3</strong></td>
</tr>
</tbody>
</table>

Less: subcontracted to third parties

<table>
<thead>
<tr>
<th>Less: subcontracted to third parties</th>
<th>Year ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>TerraVost Ltd</td>
<td>-</td>
</tr>
<tr>
<td>KCM International Ltd</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-</td>
</tr>
</tbody>
</table>

Purchase of services from related parties, net of subcontractors

<table>
<thead>
<tr>
<th>Purchase of services from related parties, net of subcontractors</th>
<th>Year ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>TerraVost Ltd</td>
<td>3</td>
</tr>
<tr>
<td>KCM International Ltd</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3</strong></td>
</tr>
</tbody>
</table>

TerraVost Ltd provided consultancy services related to budgeting and forecasting process, production planning, harvest, storage and logistics. KCM International provided crop technical information and consultancy services. KCM International is a subsidiary of TerraVost Ltd. Richard Warburton, the CEO of the Group, is the majority shareholder of TerraVost Ltd.
10 RELATED PARTY TRANSACTIONS (CONTINUED)

Remuneration of Directors and other key management personnel comprised salaries, share-based payments and termination payments. For the year ended 31 December 2018 there were no payments to Directors and other key management personnel (2017: USD 6,135 thousand). As at 31 December 2017 accrued liability for termination payments to Directors was USD 981 thousand.

11 SUBSEQUENT EVENTS

Since December 2016 the Company has been involved as plaintiff in a litigation process. The matter has been litigated in the United States of America, as the defendant is domiciled there. In January 2019 the parties of the litigation process concluded the settlement agreement and outstanding amounts were settled in February 2019.