BLACK EARTH FARMING LIMITED
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2017

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Directors	Franco Danesi Per-Arne Ahlgren Richard Warburton
Secretary	First Names (NTC) Secretaries Limited (formerly Nautilus Corporate Services Limited)
Registered Office	3rd Floor 37 Esplanade St. Helier Jersey JE2 3QA
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 2017.

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.

On 13 February 2017, the Company’s direct wholly owned subsidiary, Planalto Enterprises Limited ("Planalto"), entered into a framework share purchase agreement (the "SPA") regarding the sale of its wholly owned subsidiaries LLC Managing Company Agro Invest ("AIMC") and LLC Managing Company Agro Invest Regions ("AIRMC"), that in turn hold shares in all other Russian subsidiaries of the Group, and an assignment agreement pursuant to which Planalto assigned its claims under the intragroup loans to AIMC, to LLC Volgo-DonSelkhozInvest, an unrelated entity (the "Transaction"). On 16 February 2017, Volgo-DonSelkhozInvest paid USD 10 million as a deposit to the deal. On 23 March 2017, Extraordinary General Meeting approved the Transaction. On 12 April 2017, regulatory approval from FAS, the Russian anti-monopoly body, was received. The sale transaction was completed on 12 May 2017.

On 27 June 2017, the Company repurchased all outstanding bonds and this is reflected in a cash outflow of USD 47.7 million.

On 10 August 2017, the Company confirmed that SEK 1,501 million would be available for redemption, equivalent to 6.76 SEK per share. On 11 August 2017, the shareholders approved the share split and mandatory redemption process. On 6 September 2017, the funds of SEK 1,501 million (USD 188.4 million translated at the exchange rate at that date) were distributed to the shareholders.

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

DIVIDEND

No dividend was declared for 2017 (2016: nil).

DIRECTORS

The following have served as directors to date:

Per-Arne Ahlgren
Franco Danesi
Richard Warburton (since 11 August 2017)

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

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 11 August 2017.

BY ORDER OF THE BOARD

16 July 2018

First Names (NTC) Secretaries 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 accompanying financial statements give a true and fair view of the financial position of Black Earth Farming Limited (the "Company") as at 31 December 2017, 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 2017;
- 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.

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.

pwc

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

Overall materiality	1,880 thousand United States Dollars ("USD")
How we determined it	Based on 1% of the Company's total amount of distribution to the shareholders according to the mandatory redemption program as described in Note 9
Rationale for the materiality benchmark applied	We have applied this benchmark based on our analysis of the information needs of the users of the financial statements. We used this benchmark as it is a key indicator of the value of the Company, which was monitored by management and investors in 2017

Key audit matters

We have determined that there are no key audit matters to communicate in our report.

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 that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, the requirements of Jersey Law 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' 's 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.

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.

We also provide those charged with governance 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.

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.

16 July 2018
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

3rd Floor, 37 Esplanade, St. Helier JE2 3QA, Jersey

Independent auditor: AO PricewaterhouseCoopers Audit

State registration certificate No. 008.890, issued by the Moscow Registration Chamber on 28 February 1992

Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 August 2002 under registration No. 1027700148431

Member of Self-regulated organization of auditors «Russian Union of auditors» (Association)

ORNZ 11603050547 in the register of auditors and audit organizations

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 2017

		Year ended	
In thousands of US Dollars	**Notes**	**31 Dec 2017**	**31 Dec 2016**
Personnel expenses		(5,577)	(1,756)
Consulting and audit expenses		(4,516)	(3,505)
Other expenses		(403)	(588)
Operating loss		**(10,496)**	**(5,849)**
Dividends received	4	57,944	-
Income on futures and options	12	9,717	1,981
Loan write-off	13	(1,373)	-
Financial income		245	-
Gain on repurchase of bonds	8	-	173
Financial expense	11	(2,877)	(5,056)
Foreign exchange gain		1,732	12,414
Profit for the year		**54,892**	**3,663**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Translation of financial information to presentation currency		1,739	20,189
Other comprehensive income for the year		**1,739**	**20,189**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**56,631**	**23,852**

The notes set out on pages 5 to 20 form an integral part of these financial statements.

BLACK EARTH FARMING LIMITED
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2017

In thousands of US Dollars	**Note**	**31 Dec 2017**	**31 Dec 2016**
ASSETS			
Current assets			
Investments in subsidiaries	4	206	33,060
Loans receivable	5	-	137,367
Accounts receivable		-	207
Cash and cash equivalents	6	2,117	5,789
Total current assets		**2,323**	**176,423**
Total assets		**2,323**	**176,423**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	9	1,111	2,105
Share premium	9	266,802	525,904
Share-based payments reserve	10	-	4,858
Accumulated deficit		(66,782)	(206,036)
Translation reserve		(200,341)	(201,699)
Total equity		**790**	**125,132**
LIABILITIES			
Current liabilities			
Accounts payable	7	1 533	555
Short-term loans and borrowings	8	-	50,736
Total current liabilities		**1 533**	**51,291**
Total liabilities		**1 533**	**51,291**
Total equity and liabilities		**2,323**	**176,423**

These financial statements were approved by the Board on 16 July 2018.

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Director

The notes set out on pages 5 to 20 form an integral part of these financial statements.

BLACK EARTH FARMING LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

In thousands of US Dollars	Notes	Share capital	Share premium	Share-based payments reserve	Accumulated deficit	Translation reserve	Total equity
Balance as at 1 January 2016		**2,105**	**525,904**	**4,249**	**(210,192)**	**(221,991)**	**100,075**
Profit for the year		-	-	-	3,663	-	3,663
Other comprehensive income / (loss)							
Translation differences		-	-	(165)	-	20,354	20,189
Total comprehensive income / (loss)		**-**	**-**	**(165)**	**3,663**	**20,354**	**23,852**
Reclassification from Share-based payments reserve to Accumulated deficit		-	-	(431)	493	(62)	-
Recognition of share-based payments	10	-	-	1,205	-	-	1,205
Balance as at 31 December 2016		**2,105**	**525,904**	**4,858**	**(206,036)**	**(201,699)**	**125,132**
Balance as at 1 January 2017		**2,105**	**525,904**	**4,858**	**(206,036)**	**(201,699)**	**125,132**
Profit for the year		-	-	-	54,892	-	**54,892**
Other comprehensive income							
Translation differences		-	-	**381**	-	1,358	**1,739**
Total comprehensive income		**-**	**-**	**381**	**54,892**	**1,358**	**56,631**
Shares redemption	9	(1,111)	(266,802)	-	84,293	-	**(183,620)**
Reclassification from Share-based payments reserve to Accumulated deficit		-	-	(1,041)	1,041	-	-
Recognition of share-based payments	10	-	-	4,186	-	-	4,186
Shares issued	9	117	7,700	(7,817)	-	-	-
Warrants redemption		-	-	(566)	(973)	-	(1,539)
Balance as at 31 December 2017		**1,111**	**266,802**	**-**	**(66,782)**	**(200,341)**	**790**

The notes set out on pages 5 to 20 form an integral part of these financial statements.

BLACK EARTH FARMING LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

In thousands of US Dollars	**Note**	**Year ended 31 Dec 2017**	**Year ended 31 Dec 2016**
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		54,892	3,663
Adjustments for:			
Loan write-off		1,373	-
Foreign exchange gain		(1,732)	(12,414)
Financial expense		2,877	5,056
Long-term employee benefits		4,186	1,205
Financial income		(245)	-
Dividends received		(57,944)	-
Other non-cash operations		-	86
		3,407	**(2,404)**
Movements in working capital:			
Decrease in accounts receivable		189	937
Decrease in accounts payable		(603)	(259)
Cash from / (used in) operating activities		**2,993**	**(1,726)**
Interest paid		(2,904)	(4,580)
Interest received		245	-
Net cash generated from / (used in) operating activities		**334**	**(6,306)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Repayment of loans issued	5,13	151,378	4,457
Loans issued to related parties	13	(8,960)	-
Dividends received	4	91,601	-
Net cash generated from investing activities		**234,019**	**4,457**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of bonds	8	(47,690)	(3,275)
Proceeds from borrowings		-	5,502
Repayment of borrowings	13	(5,178)	-
Capital distributions to shareholders other than dividends	9	(188,403)	-
Net cash (used in) / generated from financing activities		**(241,271)**	**2,227**
Net (decrease) / increase in cash and cash equivalents		**(6,918)**	**378**
Cash and cash equivalents at the beginning of the year		5,789	5,905
Effect of exchange rate fluctuations on cash and cash equivalents		3,246	(494)
Cash and cash equivalents at the end of the year		**2,117**	**5,789**

The notes set out on pages 5 to 20 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 2017, 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 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 (see Note 9) 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 are held in reserve to finance the cost of an ongoing litigation in which the Company is a plaintiff in the United States of America. It is expected that the Board of Directors is going to propose an Extraordinary General Meeting to resolve on a voluntary liquidation of the Company as soon as practically possible depending on the progress of the litigation process. 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. These policies have been consistently applied to all the periods presented, including classification of all assets and liabilities of the Company at 31 December 2017 and 2016 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 affects the Company`s operations.

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.

	2017	2016
RUB/USD average for the year ended 31 December	58.3529	67.0349
RUB/USD as at 31 December	57.6002	60.6569
RUB/SEK average for the year ended 31 December	6.8387	7.8555
RUB/SEK as at 31 December	6.9992	6.6674

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. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

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. In the fair value hierarchy, fair value measurements are analysed by level 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). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

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 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 write-down for incurred impairment losses. 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 net 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.

Classification of financial assets. Financial assets have the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity; and (d) financial assets at fair value through profit or loss.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Company intends to sell in the near term. Loans and receivables comprise accounts receivable, cash and cash equivalents, restricted cash, bank deposits, unquoted promissory notes and loans issued. Loans and receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using effective interest method.

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 amortised cost using the effective interest method.

Held-to-maturity assets include quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company has both the intention and ability to hold to maturity. Management determines the classification of investment securities held to maturity at their initial recognition and reassesses the appropriateness of that classification at the end of each reporting period.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held-for-trading investments are financial assets which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Company classifies securities into trading investments if it has an intention to sell them within a short period after purchase, i.e. within 1 to 3 months.

The Company may choose to reclassify a non-derivative trading financial asset out of the fair value through profit or loss category if the asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the fair value through profit or loss category only in rare circumstances arising from a single event that is unusual and highly unlikely to reoccur in the near term. Financial assets that would meet the definition of loans and receivables may be reclassified if the Company has the intention and ability to hold these financial assets for the foreseeable future or until maturity.

Derivative financial instruments, including what are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year. The Company uses future and option contracts for certain products (usually corn and wheat) to hedge price volatility risks.

Other financial assets at fair value through profit or loss are financial assets designated irrevocably, at initial recognition, into this category. Management designates financial assets into this category only if (a) such classification eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or (b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information on that basis is regularly provided to and reviewed by the Company's key management personnel. Recognition and measurement of this category of financial assets is consistent with the accounting policy for trading investments.

All other financial assets are included in the *available-for-sale* category, which comprises investment securities which the Company intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, including investments in subsidiaries.

Classification of financial liabilities. Financial liabilities have the following measurement categories: (a) held for trading which also includes financial derivatives and (b) other financial liabilities. Liabilities held for trading are carried at fair value with changes in value recognised in profit or loss for the year (as finance income or finance costs) in the period in which they arise. Other financial liabilities are carried at amortised cost. The Company's other financial liabilities comprise 'trade and other payables' and 'borrowings' in the statement of financial position.

Initial recognition of financial instruments. Trading investments, derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded 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 instrument or by a valuation technique whose inputs include only 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 Company becomes a party to the contractual provisions of the instrument.

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 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The Company removes a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished – i.e. when the obligation specified in the contract is discharged or cancelled or expires.

(c) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the statement of comprehensive income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in the statement of comprehensive income.

(d) Share-based payment arrangements

The Company operates equity-settled share-based compensation plans, under which the Group receives goods or services from its employees as consideration for equity instruments (shares) of the Company.

Employee services settled in equity instruments. The fair value of the employee services received in exchange for the grant of equity instruments is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or shares determined at the grant date, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). The attainment of any service and non-market performance vesting conditions are included in assumptions about the number of instruments that are expected to become exercisable or the number of shares that the employee will ultimately receive. This estimate is revised at each balance sheet date and the difference is charged or credited to profit or loss, with a corresponding adjustment to equity. No changes to the charge are made when the expected or actual level of instruments vesting differs from the original estimate due to non-attainment of market performance conditions, e.g., the appropriate total shareholder return or share price. The proceeds received on exercise of the instruments net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

Cancelled instruments are deemed to have vested upon cancellation. Any unamortised expense associated with such instrument is charged to profit or loss immediately.

(e) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently carried at amortised cost using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit and loss in the period in which they are incurred.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) 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).

(g) Income tax

The Company is subject to Jersey income tax at the rate 0% (2016: 0%), therefore no current or deferred tax is recognized in the statement of comprehensive income.

(h) Interest income

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

(i) 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.

(j) Adoption of new and amended standards

The following new standards and interpretations became effective for the Company from 1 January 2017, but did not have any material impact on the Company.

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017).
- Disclosure Initiative – Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017).
- Annual Improvements to IFRSs 2014-2016 cycle – Amendments to IFRS 12 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017).

(k) New accounting pronouncements

A number of new Standards and amendments to Standards were not yet effective for the year ended 31 December 2017, and have not been applied in these financial statements.

- IFRS 9, Financial Instruments and associated amendments;
- IFRS 15, Revenue from Contracts with Customers and associated amendments to various other standards, Revenue from Contracts with Customers;
- IFRS 16, Leases;
- Amendments to IFRS 2, Share-based Payment;
- Amendments to IFRS 4, Applying IFRS 9 Financial instruments with IFRS 4, Insurance contracts;
- Annual Improvements to IFRSs 2014-2016;
- IFRIC 22, Foreign Currency Transactions and Advance Consideration;
- Amendments to IAS 40, Transfers of Investment property;
- IFRS 17, Insurance contracts;
- IFRIC 23, Uncertainty over Income Tax Treatments;

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28;
- Annual Improvements to IFRSs 2015-2017 cycle – Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23;

Management is currently assessing the impact of the adoption of the pronouncements listed above on the Company's financial statements in future periods.

(l) Use of judgements and estimates

Management has made a number of judgments, estimates and assumptions relating to the reporting of share-based payments arrangements to prepare these consolidated financial statements in conformity with IFRS as adopted by the European Union (see Note 10).

4 INVESTMENTS IN SUBSIDIARIES

In thousands of US Dollars	**31 Dec 2017**	**31 Dec 2016**
Planalto Enterprises Limited	206	32,972
Other	-	88
	206	**33,060**

Planalto Enterprises Limited

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

During the year Planalto Enterprises Limited received proceeds from sale of 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. The net assets value of Planalto Enterprises Limited as at 31 December 2017 was USD 206 thousand (31 December 2016: USD 29,572 thousand).

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

As described in Note 2 (a), as at 31 December 2017 and 2016, all investments in subsidiaries are classified as current assets.

5 LOANS RECEIVABLE

In thousands of US Dollars	**31 Dec 2017**	**31 Dec 2016**
Planalto Enterprises Limited (see Note 13):		
Loan, RUB denominated	-	136,301
Loan, EUR denominated	-	754
Loan, USD denominated	-	312
	-	**137,367**

The loans were unsecured, interest free and repayable on demand and were considered as part of the overall investment in subsidiaries.

The fair value of loans receivable equalled their carrying amount, as the impact of discounting was not significant due to the fact that they were repayable on demand.

During 2017, Planalto Enterprises Limited received proceeds from the sale of the Russian operating business (see Note 1) and repaid all its outstanding loans in the amount of USD 144,668 thousand to the Company.

6 CASH AND CASH EQUIVALENTS

In thousands of US Dollars	**31 Dec 2017**	**31 Dec 2016**
Bank balances, USD denominated accounts	1,999	4
Bank balances, SEK denominated accounts	53	878
Bank balances, EUR denominated accounts	27	4,903
Bank balances, GBP denominated accounts	27	4
Bank balances, RUB denominated accounts	11	-
	2,117	**5,789**

7 ACCOUNTS PAYABLE

In thousands of US Dollars	**31 Dec 2017**	**31 Dec 2016**
Payables to employees	1,134	-
Payables for consulting and auditing services	337	555
Other payables	62	-
	1,533	**555**

8 BORROWINGS

In thousands of US Dollars	**31 Dec 2017**	**31 Dec 2016**
SEK bonds		
Current	-	45,600
	-	**45,600**
Other borrowings		
Current (Note 13)	-	5,136
	-	**5,136**
Total borrowings	**-**	**50,736**

In October 2013, the Company issued SEK 750 million (USD 118,030 thousand translated at the exchange rate at that date) senior unsecured bonds, each of a nominal amount of SEK 1,000,000, which is also the minimum round lot. The bonds have a fixed annual coupon of 9.4% and mature after 4 years. Interest will be paid on 30 January, 30 April, 30 July and 30 October each year, with the first interest payment on 30 January 2014 and the last on 30 October 2017. The bonds were listed on the NASDAQ OMX Stockholm exchange.

Up to 31 December 2016, the Company repurchased SEK 338 million (USD 48,603 thousand translated at the exchange rate at the dates of repurchase) of bonds in order to manage interest expense and foreign exchange exposure. Gain on repurchase of bonds for the year ended 31 December 2016 was USD 173 thousand.

As at 31 December 2016, the market value of SEK bonds was SEK 338,845 thousand or USD 37,246 thousand translated at the exchange rate at that date.

On 27 June 2017, the Company exercised its option for early redemption and repurchased all its outstanding bonds in the amount of USD 47,690 thousand. Loss on repurchase of bonds including earlier redemption fee for the year ended 31 December 2017 was USD 586 thousand.

9 SHARE CAPITAL

In thousands of US Dollars	**31 Dec 2017**	**31 Dec 2016**
Authorised: 500,000,000 ordinary shares of USD 0.005 each (31 December 2016: USD 0.01)	2,500	5,000
Issued and fully paid	1,111	2,105

9 SHARE CAPITAL (CONTINUED)

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 Group's assets and profits. The shares are denominated in USD and have a nominal value of USD 0.005 (31 December 2016: USD 0.01) 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 (see Note 10). 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 2017 and 2016, the Board of Directors proposed no dividends to be paid or declared.

10 SHARE-BASED PAYMENTS RESERVE

In thousands of US Dollars	**31 Dec 2017**	**31 Dec 2016**
Warrants	-	1,290
Executive share option plan	-	3,568
	-	**4,858**

Warrants

The Group granted its key members of management warrants that were convertible into ordinary shares of the Company. All warrants had the following vesting schedule: 33% of the number of warrants granted vested in one year after the grant date, another 33% – in two years, and the remaining 34% – in three years after the grant date. The right to exercise the warrants expired between 3.3 and 4 years after the grant date, the exercise price being set separately for each warrant. The general vesting condition required continued employment with the Group. In the event that the warrant holder was no longer connected to the Group before the vesting date, warrants that were due to vest were cancelled.

During 2017, the Company decided to redeem the outstanding exercisable warrants by means of cancellation of the warrants in exchange for a cash payment of USD 1,537 thousand (during 2016 no warrants were exercised). As a result, 3,900 warrants issued under the program 2015 were reclassified from equity-settled to cash-settled. Other warrants were cancelled since they were expired or not exercisable.

10 SHARE-BASED PAYMENTS RESERVE (CONTINUED)

The number and weighted average exercise prices of the warrants were as follows:

	Year ended 31 Dec 2017		Year ended 31 Dec 2016	
	Weighted average exercise price	**Number of warrants, in thousands**	**Weighted average exercise price**	**Number of warrants, in thousands**
	SEK 9.46	5,367	SEK 9.43	7,500
At the beginning of the year		**5,367**		**7,500**
Granted during the year	SEK 6.84	2,000		-
Forfeited during the year		-	SEK 6.10	(433)
Expired or cancelled during the year	SEK 7.48	(3,467)	SEK 10.17	(1,700)
Redeemed during the year	SEK 3.65	(3,900)		-
At the end of the year		**-**	SEK 9.46	**5,367**
Including:				
Exercisable at the end of the year		-	SEK 6.06	2,617
		-		**2,617**
Weighted average contractual and expected life (years)		-		3.42

The fair value of services received in return for warrants granted was based on the fair value of warrants, measured at the grant date using the Black-Scholes model.

The significant inputs into the valuation model were:

	Granted in 2017	**Granted in 2015**	**Granted in 2014**	**Granted in 2013**
Fair value at grant date	SEK 0.65	SEK 1.28	SEK 4.39	SEK 4.48
Share price at grant date	SEK 6.91	SEK 2.97	SEK 7.39	SEK 8.85
Average exercise price	SEK 6.84	SEK 3.65	SEK 7.45	SEK 8.72
Expected volatility (i)	31,4%	43%	122%	89%
Expected dividends (ii)	-	-	-	-
Risk-free interest rate (based on government bonds)	0.63%	0.68%	1.95%	0.97%

(i) Volatility is a measure of the tendency of investment returns to vary around a long-term average rate. The expected volatility used was based on the Company’s historical share price volatility since the start of trading.

(ii) The Company has never declared nor paid any dividends on its shares and does not anticipate paying dividends in the foreseeable future. Consequently, the expected dividend assumption is set at zero.

Executives share option plan (ESOP)

In 2012, the Group implemented an ESOP for its senior executives. In order to participate in the ESOP, the participants have to purchase shares in the Company (in the market, in the form of SDRs). For each share held under the plan, the Group grants the participant free of charge rights to receive additional shares (in the form of SDRs) free of charge upon vesting, which occurred after the release of the interim report for the period January – March in the third financial year following the grant of the rights. The general vesting condition required the participants to maintain their personal investment and the employment by the Group during the vesting period.

For each share purchased and held under the plan, the Group granted up to five rights to the participant, one for each of one retention and four performance conditions that was met. The retention condition was that the participant must still be an employee of the Group at the vesting date. The performance conditions related to three-year development of certain performance indicators of the Group, including return on capital, profitability, revenue per hectare and blended yields of crops.

10 SHARE-BASED PAYMENTS RESERVE (CONTINUED)

Every year, new rights were granted to the participants of the plan, the number of rights depending on the number of shares held but not more than the maximum stipulated by the terms of the plan.

The fair value of services received in return for rights granted under the ESOP was based on the fair value of the shares to be obtained by the participants upon vesting, measured at the grant date, with the number of such shares estimated with reference to the probability of meeting the vesting conditions.

During 2015, the Group made a modification to the plan in respect of the rights granted in 2012-2014 to adjust for the 2:3 December 2012 rights issue. As a result, for each of the conditions met, the participants would receive 1.67 shares (SDRs) in the Group, instead of one share.

At the 2015 AGM, following the completion of participation in the 2012-2014 program, a new three-year program was approved. The 2015-2017 program was structurally the same as the previous program, although the performance criteria were revised to reflect the results achieved by the Group over the life of the previous program. The 2015-2017 plan comprised up to 2,100,000 shares held by the employees entitling them to an allotment of up to 10,500,000 rights.

Upon completion of the sale transaction described in Note 1, all executive share option plan became exercisable with the assumption as if all vesting conditions are met for the 2015-2017 program. Accordingly, 11,680,115 options were exercised in 2017 (see Note 9).

Personnel expenses for 2017 include share-based payment expenses of USD 4,186 thousand (2015: 1,205 thousand).

As at 31 December 2017, no rights were outstanding.

		31 Dec 2017		31 Dec 2016	
Grant date	**Vesting date**	**Expected number of rights to vest**	**Average fair value at the grant/ modification date, SEK**	**Expected number of rights to vest**	**Average fair value at the grant date, SEK**
2013	15/05/2016	-	-	1,853,740	7.12
2014	15/05/2017	-	-	1,170,825	5.07
2015	20/05/2018	-	-	3,675,000	4.03
		-		**6,699,565**	

The movements in the total expected number of options to vest were as follows:

	Year ended 31 Dec 2017	Year ended 31 Dec 2016
At the beginning of the year	6,699,565	6,662,986
Effect of the reassessment of the probability of meeting vesting conditions	2,355,550	36,579
Granted during the year	2,625,000	-
Exercised during the year	(11,680,115)	-
At the end of the year	**-**	**6,699,565**

11 FINANCIAL EXPENSE

In thousands of US Dollars	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Interest expense	2,291	5,056
Loss on repurchase of bonds (Note 8)	586	-
	2,877	**5,056**

12 FINANCIAL RISK MANAGEMENT

(a) Categories of financial instruments

	31 Dec 2017	31 Dec 2016
Financial assets		
- Cash and cash equivalents	2,117	5,789
- Loans receivable	-	137,367
- Accounts receivable	-	207
Total	**2,117**	**143,363**
Financial liabilities		
- Loans and borrowings	-	50,736
- Accounts payable	399	555
Total	**399**	**51,291**

(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:

31 December 2017 *In thousands of US Dollars*	**Less than 1 year**	**Total**
Accounts payable	399	399
	399	**399**

31 December 2016 *In thousands of US Dollars*	**Less than 1 year**	**Total**
SEK Bonds	50,730	50,730
Other borrowings	5,136	5,136
Accounts payable	555	555
	56,421	**56,421**

(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.

Currency risk

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

12 FINANCIAL RISK MANAGEMENT (CONTINUED)

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:

In thousands of US Dollars	31 Dec 2017	31 Dec 2016
USD	1,695	316
EUR	27	625
GBP	(71)	(308)
SEK	53	(44,754)

The following significant exchange rates applied during the year:

	Rate at 31 Dec 2017	Average rate for 2017	Rate at 31 Dec 2016	Average rate for 2016
RUB/USD	57.6002	58.3529	60.6569	67.0349
RUB/EUR	68.8668	65.9014	63.8111	74.2310
RUB/GBP	77.6739	75.1611	74.5595	91.2578
RUB/SEK	6.9992	6.8387	6.6674	7.8555

Foreign currency sensitivity analysis

A 10% strengthening / weakening of the RUB against the above currencies at 31 December 2017 would have increased / (decreased) equity and profit (2016: 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.

In thousands of US Dollars	Equity	Profit or loss
2017		
USD	170	170
EUR	3	3
GBP	(7)	(7)
SEK	5	5
2016		
EUR	63	63
USD	32	32
GBP	(31)	(31)
SEK	(4,475)	(4,475)

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.

(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.

12 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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.

(g) Hedging transactions

The Company used a hedging program with trading in futures and options on international exchanges to hedge price volatility and exchange rate fluctuations risks. As at 31 December 2017, there are no derivative financial instruments (31 December 2016: the fair value of the derivative financial instruments of USD 103 thousand was included in other receivables). In 2017 and 2016 the Company had income on futures and options of USD 9,717 thousand and USD 1,981 thousand, respectively. A sales and marketing committee, including board representatives, convened regularly to discuss and decide on hedging strategies.

13 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 2017 and 2016, the outstanding balances with related parties that are members of the Group were as follows:

In thousands of US Dollars	**31 Dec 2017**	**31 Dec 2016**
Short-term loans and borrowings		
Black Earth Trading International	-	5,136
Accounts Payable		
Planalto Enterprises Limited	188	-
Loans receivable from Group Companies		
Planalto Enterprises Limited (Note 5)	-	137,367

In April 2016, the Company entered into borrowing agreements with Black Earth Trading International for a total of EUR 4,883 thousand (USD 5,502 thousand at the date of transaction). The borrowings were unsecured, interest free and repayable within one year. The fair value of these borrowings equaled their carrying amount, as the impact of discounting was not significant.

In March 2017, the Company issued loans to Black Earth Trading International for a total of EUR 8,300 thousand (USD 8,960 thousand at the date of transaction). The loans issued were unsecured, interest free and repayable within one year. The fair value of these loans equaled their carrying amount, as the impact of discounting was not significant. During 2017, these loans were partially repaid, with the remaining amount of EUR 1,183 thousand (USD 1,373 thousand at the date of transaction) written-off as uncollectible.

During 2017 the Company received a distribution from Planalto Enterprises Limited of USD 91,601 thousand (see Note 4).

13 RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Year ended	
In thousands of US Dollars	**31 Dec 2017**	**31 Dec 2016**
Purchase of services from related parties		
TerraVost Ltd	199	826
KCM International Ltd	264	1,661
	463	**2,487**
Less: subcontracted to third parties		
TerraVost Ltd	(1)	(105)
KCM International Ltd	-	(12)
	(1)	**(117)**
Purchase of services from related parties, net of subcontractors		
TerraVost Ltd	198	721
KCM International Ltd	264	1,649
Total	462	**2,370**

	31 Dec 2017	**31 Dec 2016**
Accounts payable to related parties		
TerraVost Ltd	-	159
KCM International Ltd	-	133
	-	**292**

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.

Remuneration of Directors and other key management personnel that comprised salaries, share-based payments and termination payments, for the year ended 31 December 2017 was USD 6,135 thousand (2016: USD 1,486 thousand). As at 31 December 2017 accrued liability for termination payments to Directors was USD 981 thousand (2016: nil).