MHP SE
Company Separate
Financial Statements

31 December 2019

SEPARATE FINANCIAL STATEMENTS
31 December 2019

CONTENTS

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	John Grant Viktoria B. Kapelyushnaya Yuriy Kosyuk Yuriy Melnyk John Clifford Rich Roberto Banfi Christakis Taoushianis Roger Wills Philip J Wilkinson (appointed 24 March 2020)
Company Secretary:	Confitrust Limited
Independent Auditors:	Deloitte Ltd
Registered office:	16-18 Zinas Kanther Street Ayia Triada 3035 Limassol Cyprus

STATEMENT OF THE BOARD OF DIRECTORS' RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE SEPARATE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2019

The Board of Directors is responsible for the preparation of the separate financial statements that give a true and fair view of the financial position of MHP SE (the "Company") as of 31 December 2019 and of the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In preparing the separate financial statements, the Board of Directors is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing 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 Company's financial position and financial performance;
- making an assessment of the Company's ability to continue as a going concern.

The Board of Directors, within its competencies, is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls;
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The separate financial statements of the Company as of and for the year ended 31 December 2019 were authorized for issue by the Board of Directors on 13 April 2020. The consolidated financial statements of the Company and its subsidiaries as of and for the year ended 31 December 2019 were authorised for issue by the Board of Directors on 13 April 2020.

Board of Directors' responsibility statement

In accordance with Article 9 sections (3c) and (7) of the Transparency Requirements (Traded Securities in Regulated Markets) Law 190 (1) / 2007 until 2013, we, the members of the Board of Directors responsible for the preparing of the separate financial statements of MHP SE for the year ended 31 December 2019, on the basis of our knowledge, declare that:

a) the separate financial statements which are presented on pages 8 to 35:

   i. have been prepared in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and the provisions of article 9 section (4) of the law, and
   ii. provide a true and fair view of the assets and liabilities, the financial position and the profit or loss of the Company

b) the Management report which is published together with the consolidated statements, provides a fair review of the developments and the performance of the business and the financial position of the Group included in the consolidated accounts taken as a whole, together with a description of the main risks and uncertainties which they face.

On behalf of the Board:

Yuriy Kosyuk	John Grant	Viktoria Kapelyushnaya	John Clifford Rich	Philip J Wilkinson
Director	Director	Director	Director	Director

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Deloitte.

INVESTORS IN PEOPLE | Platinum Until 2020

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Independent Auditor's Report

To the Members of MHP SE

Opinion

We have audited the financial statements of parent company MHP SE (the "Company"), which are presented in pages 8 to 35 and comprise the statement of financial position as at 31 December 2019, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for opinion

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

Deloitte.

To the Members of MHP SE

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment losses on loans receivable As at 31 December 2019, the Company had loan receivables from direct and indirect subsidiary companies with a gross carrying amount of US$ 552,048,650. As described in Note 3.1, the Company has performed an assessment of Expected Credit Losses (ECL) in accordance with the provisions of IFRS 9 "Financial Instruments". We consider impairment losses on loan receivables as a key audit matter since the calculation of allowance for the ECL model is subject to significant judgement in establishing factors such as loss given default and probability of default. Management provided more details in relation to the above in Note 3.1 "Credit Risk", Note 4 "Critical accounting estimates and judgements" and Note 12 "Non-current loans receivable" to the financial statements.	We have performed amongst others the following audit procedures with the support of our internal valuation specialists, where deemed necessary, in order to address the risks of material misstatement associated with this key audit matter: • Obtained an understanding of the internal controls surrounding the impairment loss exercise and assessed their design and implementation. • Evaluated whether the Management's modelling approach and the accounting policies are appropriate and incorporate the requirements of IFRS 9 "Financial Instruments". • Evaluated the completeness, accuracy and appropriateness of input data used in the calculations. • Reviewed and challenged the probability-weighted macroeconomic scenarios, staging criteria and loss given default estimates to identify whether indicators of possible management bias exist and ensured that they fell within an acceptable range. • Assessed the mathematical accuracy of the models and verified input used. • Performed a sensitivity analysis on the significant assumptions to evaluate the extent of impact on the ECL. • Assessed completeness and accuracy of all related disclosures provided in the financial statements with the requirements of international financial reporting standards. All the above procedures were completed in a satisfactory manner.

Independent Auditor's Report (Cont'd)

To the Members of MHP SE

Responsibilities of the Board of Directors and those charged with governance for the Financial Statements

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

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

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

Responsibilities of the Board of Directors and those charged with governance for the Financial Statements

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

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has 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.

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Independent Auditor's Report (Cont'd)

To the Members of MHP SE

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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 a true and fair view.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Company on 24 October 2017 by a shareholders' resolution. This is our third period of engagement appointment.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 13 April 2020 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Company and which have not been disclosed in the financial statements.

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Independent Auditor's Report (Cont'd)

To the Members of MHP SE

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is Costas Georghadjis.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2019. The report on the consolidated financial statements is not modified.

Costas Georghadjis
Certified Public Accountant and Registered Auditor
for and on behalf of
Deloitte Limited
Certified Public Accountants and Registered Auditors

Limassol, 13 April 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2019

	Note	*2019* US$	*2018* US$
Revenue	**5**	194,992,913	214,233,343
Administration expenses	**6**	(8,065,767)	(7,455,751)
Impairment gains /(losses) (including reversals of impairment losses) on financial assets	**12**	5,098,130	(1,675,345)
Other operating expenses		-	(20,703)
Foreign exchange loss arising from operations		(1,005,593)	-
Operating profit		**191,019,683**	**205,081,544**
Finance costs	**7**	(59,388,152)	(75,137,702)
Other income, net	**8**	1,420,544	1,242,064
Profit before tax		**133,052,075**	**131,185,906**
Taxation	**9**	(387,255)	-
Net profit for the year		**132,664,820**	**131,185,906**
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income for the year		**132,664,820**	**131,185,906**

The notes on pages 12 to 35 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
as of 31 December 2019

	Note	*31 December 2019* US$	*31 December 2018* US$
ASSETS			
Non-current assets			
Investments in subsidiaries	11	678,400,999	408,772,791
Property, plant and equipment	17	87,095	126,015
Loans receivable	12	530,227,524	611,479,872
Other non-current assets	13	-	23,220,040
Other financial assets	16	3,321,758	3,383,805
		1,212,037,376	**1,046,982,523**
Current assets			
Other receivables	14	16,363,787	121,608,332
Cash and cash equivalents	15	23,568,453	1,557,640
		39,932,240	**123,165,972**
Total assets		**1,251,969,616**	**1,170,148,495**
EQUITY AND LIABILITIES			
Equity			
Share capital	18	284,505,000	284,505,000
Share premium	18	118,133,404	118,133,404
Retained earnings	18	160,671,817	108,007,354
Other reserves	18	10,843,145	10,843,145
Total equity		**574,153,366**	**521,488,903**
Non-current liabilities			
Bonds issued	19	484,468,755	558,764,086
Loans payable	20	96,072,370	48,821,837
		580,541,125	**607,585,923**
Current liabilities			
Loans payable	20	81,357,400	27,579,546
Interest accrued	21	14,737,036	12,422,727
Other payables and accruals		1,180,689	1,071,396
		97,275,125	**41,073,669**
Total liabilities		**677,816,250**	**648,659,592**
Total equity and liabilities		**1,251,969,616**	**1,170,148,495**

On 13 April 2020 the Board of Directors of MHP SE authorized these financial statements for issue.

On behalf of the Board of Directors

Chief Executive Officer — Yuriy Kosyuk

Chief Financial Officer — Viktoria B. Kapelyushnaya

The notes on pages 12 to 35 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

	Share capital US$	Share premium US$	Treasury shares US$	Legal reserve US$	Other reserve US$	Retained earnings US$	Total US$
Balance as at 31 December 2017	**284,505,000**	**118,133,404**	**(38,725,480)**	**16,524,538**	**10,843,145**	**43,055,889**	**434,336,496**
Effect of adoption IFRS 9	-	-	-	-	-	(2,758,059)	(2,758,059)
Balance as at 1 January 2018 restated	**284,505,000**	**118,133,404**	**(38,725,480)**	**16,524,538**	**10,843,145**	**40,297,830**	**431,578,437**
Net profit for the year	-	-	-	-	-	131,185,906	131,185,906
Effect of settlement of treasury shares by subsidiary	-	-	38,725,480	-	-	-	38,725,480
Transfer of legal reserve to retained earnings	-	-	-	(16,524,538)	-	16,524,538	-
Dividends paid (Note 10)	-	-	-	-	-	(80,000,920)	(80,000,920)
Balance at 31 December 2018/ I January 2019	**284,505,000**	**118,133,404**	**-**	**-**	**10,843,145**	**108,007,354**	**521,488,903**
Net profit for the year	-	-	-	-	-	132,664,820	132,664,820
Dividends paid (Note 10)	-	-	-	-	-	(80,000,357)	(80,000,357)
Balance at 31 December 2019	**284,505,000**	**118,133,404**	**-**	**-**	**10,843,145**	**160,671,817**	**574,153,366**

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defense at 17% will be payable on such deemed dividends to the extent that the ultimate shareholders are both Cyprus tax resident and Cyprus domiciled. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defense is payable by the Company for the account of the shareholders.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2019

	Note	2019 US$	2018 US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**133,052,075**	**131,185,906**
Adjustments for:			
Foreign exchange (profit)/ loss		(2.938,098)	184,833
Impairment gains /(losses) (including reversals of impairment losses) on financial assets	12	(5,098,130)	1,675,345
Interest income	5	(49,856,782)	(60,773,856)
Interest expense and related finance costs	7	59,388,152	75,137,702
Dividend income	5	(142,371,703)	(150,194,977)
Interest receivable from deposits	5	(354,862)	
Depreciation	17	42,588	41,490
Operating cash flows before working capital changes		**(8,136,760)**	**(2,743,557)**
Decrease /(increase) in other receivables		11,724,310	(3,165,757)
Increase in other payables and accruals		109,293	195,519
Cash used in operations		**3,696,843**	**(5,713,795)**
Dividends received		186,986,665	124,243,558
Interest received		77,851,415	67,041,669
Interest paid		(48,789,148)	(67,969,451)
Net cash generated from operating activities		**219,745,775**	**117,601,981**
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital contribution to subsidiaries		(246,834,212)	(1,285,880)
Proceeds from sales of treasury shares		-	28,000,000
Purchase of fixed assets		(3,668)	(167,504)
Purchase of other non-current assets		-	(23,220,040)
Deposits, net		-	(1,311,506)
Repayments of loans granted		22,121,478	539,810,798
Loans granted		-	(164,005,767)
Net cash (used in)/ generated from investing activities		**(224,716,402)**	**377,820,101**
CASH FLOW FROM FINANCING ACTIVITIES			
Loans proceeds		326,297,374	37,150,000
Loans repaid		(137,743,994)	(38,179,572)
Dividends paid		(80,000,357)	(80,000,920)
Transaction costs related to corporate bonds issued		(2,154,583)	(1,232,433)
Repayment of bonds		(79,417,000)	-
Redemption of bonds		-	(416,183,000)
Net cash generated from/(used in) financing activities		**26,981,440**	**(498,445,925)**
Net increase / (decrease) in cash and cash equivalents		22,010,813	(3,023,843)
Cash and cash equivalents at the beginning of the year		1,557,640	4,581,483
Cash and cash equivalents at the end of the year	15	**23,568,453**	**1,557,640**

The notes on pages 12 to 35 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

1. Incorporation and principal activities

Country of incorporation

MHP SE ("the Company"), a limited liability company (Societas Europaea) registered under the laws of Cyprus, was formed in Luxembourg on 30 May 2006 under the name MHP S.A.. It was converted from a public limited liability company ("société anonyme") into a European company ("Societas Europaea") with effect from 7 August 2017.

On 27 December 2017, the Company transferred its registered office (the "Seat Transfer") from 5, rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg, to 16-18 Zinas Kanther Street, Ayia Triada, 3035 Limassol, Cyprus. The Seat Transfer was made pursuant to the provisions of the SE European Regulation and provisions of the laws of Cyprus and was registered in the Cyprus Companies Registry for SE companies under number SE 27. As of the date of transfer the Company has adopted a new Memorandum and Articles of Association in compliance with the laws applicable to SE companies and with the Cyprus Companies Law Cap.113.

The Company serves as the ultimate holding company of PJSC "Myronivsky Hliboproduct" ("MHP") and its subsidiaries (hereinafter, MHP SE and its subsidiaries are referred to as the "MHP SE Group" or the "Group"), registered and operating in Ukraine. The Company's shares are listed on the London Stock Exchange ("LSE") in the form of global depositary receipts ("GDRs").

The controlling shareholder of the Company is Mr. Yuriy Kosyuk, who owns 100% of the shares of WTI Trading Limited, which is the immediate majority shareholder of the Company.

Principal activities and nature of operations of the Company and the Group

The principal activities of the Company are holding of participations in any form in foreign companies, acquisition by purchase, subscription, and exchange of stock, bonds, debentures, deposits and provision of finance to group companies as well as consultancy and legal services. The principal business activities of the Group are in Ukraine and are in poultry and related operations, grain growing, as well as other agricultural operations (meat processing and meat products ready for consumption). During the year the Group expanded its operations in Europe by acquiring Perutnina Ptuj d.d. which has the same principal activities as the Group.

2. Significant accounting policies

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

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

The Company has also prepared consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the consolidated financial statements can be obtained from http://www.mhp.com.ua. Users of these parent's separate financial statements which are supplementary to the consolidated financial statements should read them together with the Group's consolidated financial statements for the year ended 31 December 2019 in order to obtain a proper understanding of the financial position, performance and cash flows of the Company and the Group.

Adoption of new and revised IFRSs

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2019:

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IAS 1 Presentation of Financial Statements – Classification of liabilities as current or non-current
- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle

Adoption of these standards and interpretation did not have any material impact on the disclosures or on the amounts reported in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

2. Significant accounting policies (Cont'd)

Adoption of new and revised IFRSs(Cont'd)

Standards and Interpretations in issue but not effective:

On the date of approval of these financial statements, the following accounting standards have been issued by the International Accounting Standards Board but were not yet effective:

Standards and Interpretations	*Effective for annual period beginning on or after*
IFRS 17 Insurance Contracts	1 January 2021
Amendments to IAS 1 and IAS 8: Definition of Material*	1 January 2020
Amendments to IFRS 3 Business Combinations	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform*	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards*	1 January 2020

* Standards have been already endorsed for use in the European Union

Investments in subsidiary companies

Subsidiaries are undertakings over which the Company has control and achieved when the Company:

- has power over the investee;
- is exposed, or has rights to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that that there are changes to one or more of the three elements of control listed above.

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

Property, plant and equipment

All property, plant and equipment are sowing at historical cost less accumulated depreciation.

The historical cost of an item of property, plant and equipment comprises (a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; (b) any costs directly attributable to bringing the item to the location and condition necessary for it to be capable of operating in the manner intended by the management of the Group; (c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, (d) the obligation for which the Group incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period; and (e) for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy.

Depreciation of property, plant and equipment is charged so as to write off the depreciable amount over the useful life of an asset and is calculated using a straight line method. Useful lives of property, plant and equipment are as follows:

- Furniture and fittings 10 years
- Computers 4 years
- Renovations 3 years

Depreciable amount is the cost of an item of property, plant and equipment, or revalued amount, less its residual value. The residual value is the estimated amount that the Company would currently obtain from disposal of the item of property, plant and equipment, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

2. **Significant accounting policies (Cont'd)**

Property, plant and equipment (Cont'd)

The residual value, the useful lives and depreciation method are reviewed at each financial year-end. The effect of any changes from previous estimates is accounted for prospectively as a change in an accounting estimate.

The gain or loss arising on sale or disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of comprehensive income.

Revenue recognition

Revenue comprises interest received on loans granted and dividends received as well as consultancy and administrative services. Revenues earned by the Company are recognised on the following bases:

(i) Dividend income

Dividend income is recognized when the right to receive payment is established.

(ii) Consultancy and administrative services

Consultancy and administrative services provided by the Company are recognised as income during the year. Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a service to a customer.

(iii) Interest Income

Interest income is recognised on a time proportion basis using the effective interest method. The effective interest rate is the rate that exactly discounts the future cash inflows over the expected life of the asset, to the net carrying amount of the financial asset.

Employee benefits

The Company and its employees contribute to the Government Social Insurance Fund based on employees' salaries. The Company's contributions are expensed as incurred and are included in staff costs. The Company has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

Foreign currency translation

(1) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US$), which is the Company's functional and presentation currency.

(2) Transactions and balances

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

Tax

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

Dividends

Proposed dividends are recognised as a liability in the financial statements in the period in which they are approved by the shareholders. Any interim dividends approved for distribution by the Board of Directors are recognised within equity in the period in which the decision is made.

Dividend distributed in the form of non-cash assets are measured at the fair value of the net assets to be distributed. The difference between the dividend paid and the carrying amount of the net assets distributed is recognized in the statement of comprehensive income.

2. Significant accounting policies (Cont'd)

Provisions and contingencies

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the obligation can be reliably estimated.

Financial instruments

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

Financial assets and financial liabilities of the Company are represented by loans granted, cash and cash equivalents, other receivables, corporate bonds issued and other long-term payables. The accounting policies for initial recognition and subsequent measurement of financial instruments are disclosed in the respective accounting policies set out below in this Note.

Financial assets and financial liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

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

Debt instruments that meet the following conditions are measured subsequently at FVTOCI:

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

By default, all other financial assets are measured subsequently at FVTPL.

(i)Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

2. Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below).

For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "Revenue – interest income" line item

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses loans receivable, dividends receivable, cash and equivalents and other financial assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

For other receivables, other than dividends and interest receivable, the Company applies a general approach in calculating ECLs.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

2. Significant accounting policies (Cont'd)

Financial assets (Cont'd)

Low credit risk financial instruments

Despite the foregoing, Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,
(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations

Default definition

The Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Financial liabilities

Initial recognition and measurement

The Company's financial liabilities include trade and other payables, bonds, loans and borrowings.

All financial liabilities are recognised initially at fair value and are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

2. Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial liabilities (Cont'd)

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss.

Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9 (see financial assets above); and
- the amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Cash and cash equivalents

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

Offsetting financial instruments

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

Share capital

Ordinary shares are classified as equity.

Treasury shares

Treasury shares are GDRs which were bought back by the Company reducing the number of outstanding shares on the open market. Repurchased GDRs are classified as treasury shares under a separate reserve within equity. When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from treasury shares reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within other reserves.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

3. Financial risk factors (Cont'd)

The Company is exposed to interest rate risk, credit risk, liquidity risk, currency risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

3.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates.

The Company's interest rate risk arises from loans granted to and loans received from its subsidiary and indirect subsidiary companies. All loans are in fixed rates and the Company is not exposed to cash flow interest rate risk.

The management monitors interest rate fluctuations on a continuous basis and ensures that borrowings received or loan granted to subsidiaries are agreed at market rates.

At the reporting date, the interest rate profile of interest-bearing financial instruments was as follows:

	Fixed rate instruments 2019 US$	**Fixed rate instruments 2018 US$**
Non-current loans receivable	530,227,524	611,479,872
Bonds issued	(500,000,000)	(579,417,000)
Loans payable	(177,429,770)	(76,401,383)
	(147,202,246)	**(44,338,511)**

3.2 Credit risk

The Company's exposure to credit risk for each class of financial instruments subject to the expected credit loss model is set out below:

Loans receivable and other receivables

The Company assesses, on an individual basis, its exposure to credit risk arising from loans and other receivables. This assessment takes into account, amongst others, the period the loan receivable or other receivable balance is past due (in days), expectations around changes in business, financial or economic conditions as well as expectations around the performance of the counterparty.

The following table contains an analysis of the credit risk exposure for loans receivable and other receivables by reference to the Company's internal credit risk rating grades. The gross carrying amounts below represent the Company's maximum exposure to credit risk on these assets:

Internal credit risk rating grade	Company definition of category	Gross carrying amount Loans receivable		Other receivables	
		2019 US$	2018 US$	2019 US$	2018 US$
Performing	Stage 1 – Counterparties have a low risk of default and a strong capacity to meet contractual cash flows	552,048,650	666,413,478	16,363,786	121,608,332
Under-performing	Stage 2 – Counterparties for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	-	-	-	-
Non-performing or credit-impaired	Stage 3 – Interest and/or principal repayments are 90 days past due	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

3. Financial risk factors (Cont'd)

3.2 Credit risk (Cont'd)

The gross carrying amounts, as per above, represent the Company's maximum exposure to credit risk on these assets as at 31 December 2018, without taking account of any collateral held. The Company does not hold any collateral as security for any loans receivable or other receivable balances.

Expected credit losses

The Company determines the 12 month expected credit loss of other non-current loan receivables based on different scenarios of probability of default and expected loss applicable to each of the material underlying balances. The movement in loss allowance for loan receivables classified at amortised cost is detailed below:

	2019 US$	2018 US$
Opening balance as at 1 January	15,259,469	13,584,124
(Released)/charged during the period	(5,098,130)	1,675,345
At 31 December	10,161,339	15,259,469

During the year 2018, the only movement in the gross carrying amount of the loans receivable were repayments. The impact of these on the credit loss allowance is reflected in the table above.

The estimated credit loss allowance on other receivable balances as at 31 December 2019 and 31 December 2019 was not material. There were no write-offs in loans and other receivable balances within the year (2018: US$ nil).

Cash and cash equivalents

The Company assesses, on an individual basis, its exposure to credit risk arising from cash at bank based on ratings from external credit rating institutions and internal reviews, if external are not available.

The estimated expected credit loss allowance on cash and cash equivalents as at 31 December 2018 and 31 December 2019, based on the general approach of IFRS 9, was immaterial. All cash and cash equivalents were performing (Stage 1) as at 31 December 2018 and 31 December 2018.

Financial guarantee contract liabilities

The primary purpose of these instruments is to ensure that funds are available to a borrower as required. Guarantees which represent irrevocable assurances that the Company will make payments in the event that a counterparty cannot meet its obligations to third parties, carry the same credit risk as loans receivable.

The Company has issued financial guarantees on the borrowings of its subsidiaries and quoted bonds issued by its subsidiaries (Note 19). As a result, the Company is exposed to credit risk arising from potential risk of default of the Company's subsidiaries on their external debt. As of 31 December 2019 and 31 December 2018, none of the Company's subsidiaries had defaulted on or breached any covenants on their borrowings/bonds.

The following table contains an analysis of the exposure to credit risk on financial guarantee by reference to the Company's internal credit risk rating grades. The amounts below represent the Company's maximum exposure to credit risk on these financial instruments as at 31 December 2019.

	2019 US$	2018 US$
Performing	969,049,908	792,579,052
Underperforming	-	-
Non-performing	-	-
Total unrecognised gross amount	969,049,908	792,579,052

The amounts, as per above, represent the Company's maximum exposure to credit risk on these financial instruments as at 31 December 2019, without taking account of any collateral held. The Company does not hold any collateral as security for any guarantees issued to its subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

3. Financial risk factors (Cont'd)

3.2 Credit risk (Cont'd)

Financial guarantee contract liabilities (Cont'd)

The estimated provision as at 31 December 2018 and 31 December 2019 for free of charge financial guarantees issued by the Company for unsecured or under-pledged obligations of its subsidiaries in accordance with loan agreements with financial institutions and quoted bonds issued by subsidiaries was estimated using a probability adjusted discounted cash flow analysis, using probability of default, as implied by the market rate of the borrowings obtained by the subsidiaries, and loss given default, as estimated by considering the distressed value of the net assets of the subsidiaries which were not pledged at the time of the guarantees. This was assessed as US$ nil, since, in case of default, the Company will be able to recover its losses under the issued guarantees from the respective subsidiaries in full.

3.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities at Group level.

The following tables provide a summary of the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis, which are not included in the carrying amount of the financial instrument on the statement of financial position.

2019	Average effective interest rate	Less than 1 year or on demand US$	Between 2-5 years US$	After 5 years US$	Adjustment US$	Carrying amount US$
Bonds issued and accrued interest	8.79%	44,131,948	635,625,000	-	(158,843,755)	520,913,193
Loans payable and accrued interest	2.63%	92,114,974	14,836,455	94,572,898	(14,739,469)	186,784,858
Other payables and accruals		1,180,689	-	-	-	1,180,689
Financial guarantee		970,731,854	54,154,557	-	(55,836,503)	969,049,908
		1,108,159,465	**704,616,012**	**94,572,898**	**(229,419,727)**	**1,677,928,648**

2018	Average effective interest rate	Less than 1 year or on demand US$	Between 2-5 years US$	After 5 years US$	Adjustment US$	Carrying amount US$
Bonds issued and accrued interest	9.17%	52,280,244	237,692,951	519,375,000	(243,605,767)	565,742,428
Loans payable and accrued interest	4.21%	34,113,823	54,552,436	-	(6,820,491)	81,845,768
Other payables and accruals		1,071,396	-	-	-	1,071,396
Financial guarantee		792,303,597	35,897,005	28,795,356	(64,416,906)	792,579,052
		879,769,060	**328,142,392**	**548,170,356**	**(314,843,164)**	**1,441,238,644**

3. Financial risk factors (Cont'd)

3.4 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is not significantly exposed to foreign exchange risk as the Company does not hold material balances in foreign currency. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

3.5 Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization between debt and equity. In the current year the Company changed its determination of Total debt to include interest on the bonds. Prior year's figures were not restated. If they were restated this would result in an increase of the net debt to operating profit of 0.03 from 3.12 to 3.15 in the reported figures of 2018.

The Company's net debt as of 31 December 2019 and 2018 was as follows:

	2019 US$	2018 US$
Loans payable (i)	186,784,857	81,845,768
Bonds issued (i)	489,850,703	558,764,086
Total debt	**676,635,560**	**640,609,854**
Less:		
Cash and cash equivalents	(23,568,453)	(1,557,640)
Net debt	**653,067,107**	**639,052,214**
Operating profit	**191,019,683**	**205,081,544**
Net debt to operating profit	**3.42**	**3.12**

(i) Loans payable and bonds issued included interest (Note 20 and Note 19).

3.6 Fair value estimation

Fair value disclosures in respect of financial instruments are made in accordance with the requirements of IFRS 7 "Financial Instruments: Disclosure" and IFRS 13 "Fair value measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale.

Due to their short-term nature, the fair value is estimated to approximate the carrying value for the following categories of financial instruments: cash and cash equivalents, other receivables and other payables and accruals.
Set out below is the comparison by category of carrying amounts and fair values of all the Company's financial instruments, excluding those discussed above, that are carried in the statement of financial position:

	Carrying amount		Fair value	
	2019 US$	2018 US$	2019 US$	2018 US$
Financial assets				
Non-current loans receivable	541,887,311	651,154,009	549,070,857	640,327,214
Other financial assets	3,321,758	3,383,805	2,709,809	2,414,000
Financial liabilities				
Loans payable	(186,784,857)	(81,845,768)	(171,842,204)	(76,655,578)
Bonds	(489,850,703)	(565,742,427)	(541,415,000)	(547,279,000)

The carrying amount of loans receivable, loans payable and bonds includes interest accrued at each of the respective dates.

The fair value of Bonds was estimated based on market quotations and is within Level 1 of the fair value hierarchy.

The fair value of loans receivable and loans payable was estimated by discounting the expected future cash outflows by a market rate of interest: 6.02% and 4,65% respectively (2018: 7.99%), and is within Level 2 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

3. Financial risk factors (Cont'd)

3.6 Fair value estimation (Cont'd)

Reconciliation of liabilities arising from financing activities

The table below details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities.

Changes in liabilities arising from financing activities

	Loans payable	Bonds issued	Interest accrued	Total
	US$	US$	US$	US$
As of 01 January 2019	**76,401,383**	**558,764,086**	**12,422,727**	**647,588,196**
Cash flow from proceeds / (repayments), net	188,553,381	(79,417,000)	(48,789,148)	60,347,233
Transaction costs payments	-	(2,154,583)		(2,154,583)
Non-cash movements				
Interest accrued for the year	-	-	52,250,471	52,250,471
Non-cash repayments	(84,229,000)	-	(1,147,014)	(85,376,014)
Foreign exchange movements	(3,295,994)	-	-	(3,295,994)
Amortisation and write-off of transaction costs	-	7,276,252	-	7,276,252
As of 31 December 2019	**177,429,770**	**484,468,755**	**14,737,036**	**676,635,562**

The cash flows from bank loans, loans from related parties and Bonds make up the net amount of proceeds from borrowings and repayments of borrowings in the cash flow statement.

	Loans payable	Bonds issued	Interest accrued	Total
	US$	US$	US$	US$
As of 01 January 2018	**77,363,883**	**959,261,892**	**22,516,555**	**1,059,142,330**
Cash flow from proceeds / (repayments), net	(962,500)	(416,183,000)	(67,969,451)	(485,114,951)
Transaction costs payments	-	(1,240,013)	-	(1,240,013)
Non-cash movements				
Interest accrued for the year	-	-	57,875,624	57,875,624
Amortisation and write-off of transaction costs	-	16,925,207	-	16,925,207
As of 31 December 2018	**76,401,383**	**558,764,086**	**12,422,727**	**647,588,196**

The cash flows from bank loans, loans from related parties and Bonds make up the net amount of proceeds from borrowings and repayments of borrowings in the cash flow statement.

4. Critical accounting estimates and judgements

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

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Significant increase in credit risk**

As explained in Note 2, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward looking information.

- **Calculation of loss allowance**

When measuring expected credit losses the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.
Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Management measures the loss allowance by considering 2 scenarios, taking into consideration the liquidity position of the acquire in the coming years, weighted by 70% for the base scenario 30% for the pessimistic scenario.
The ECL rate is 1.8% on loans receivables. If the ECL rate had been 1% higher, the loss allowance would have been US$ 5,520,486 higher. If the ECL rate had been 1% lower, the loss allowance would have been US$ 5,520,486 lower.

- **Impairment of investments in subsidiaries**

The Company periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries may be impaired, the estimated future discounted cash flows associated with these subsidiaries would be compared to their carrying amounts to determine if a write-down to fair value is necessary. The management has determined there were no indications for impairment as at 31 December 2019.

5. Revenue

	2019 US$	2018 US$
Dividend income	142,371,703	150,194,977
Interest income (i)	50,211,644	60,773,856
Consultancy and administrative services	2,409,566	3,264,510
	194,992,913	**214,233,343**

(i) Interest income included interest received from related parties (Note 22.1) and interest on deposits.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

6. Administration Expenses

	2019 US$	2018 US$
Legal and other professional fees	5,000,237	4,971,941
Directors' fees (i) (Note 22.2)	1,265,600	1,180,779
Salaries	290,717	-
Social insurance and other contributions	25,078	-
Non-recoverable VAT	760,589	478,167
Auditors' remuneration(ii)	198,264	162,725
Other administrative expenses	482,694	620,649
Depreciation	42,588	41,490
	8,065,767	**7,455,751**

(i) Directors' fees comprise of amounts attributable to the directors of the Company. As at 31 December 2019 and 2018, there were 5 and 4 directors respectively. There are 4 and nil employees as at 31 December 2019 and 2018 respectively.

(ii) Auditor's remuneration includes statutory audit fees amounting to US$ 171,400 (2018: US$ 81,814), previous years audit fees amounting to US$ 26,864 (2018: US$ 74,449), tax advisory services amounting US$ nil (2018: US$ 6,462).

7. Finance cost

	2019 US$	2018 US$
Interest on bonds	(44,050,974)	(54,076,428)
Bond issuance cost (i)	(7,276,252)	(16,925,207)
Interest expense on loan payable (note 22.3)	(8,199,497)	(3,799,196)
Other finance expenses	(3,157,422)	(336,871)
Foreign exchange gain related to the financial activity	3,295,993	-
	(59,388,152)	**(75,137,702)**

(i) This includes the annual amortization expense, those costs that are expensed directly and any write offs.

8. Other income, net

	2019 US$	2018 US$
Foreign exchange loss	-	(184,833)
Other income, net (i)	1,420,544	1,426,897
Other income, net	**1,420,544**	**1,242,064**

(i) Other income includes an amount of US$1,420,544 (2018: US$1,420,544) which was reimbursed from the depositary of GDRs.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

9. Taxation

The income tax on the Company's profit before income tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2019 US$	2018 US$
Profit before income tax	133,052,075	131,185,906
Income tax calculated at the applicable tax rates	16,631,509	16,398,238
Tax effect of expenses not deductible for tax purposes	1,721,287	2,642,452
Tax effect of allowances and income not subject to income tax	(18,786,330)	(18,782,134)
Overseas tax paid	387,255	-
Tax effect of tax losses brought forward	-	(258,556)
Tax effect of tax loss of the year	433,534	-
Tax charge	**387,255**	-

The corporation tax rate is 12.5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%. Due to tax losses for the year no tax liabilities arises on the Company.

Under current legislation, tax losses may be carried forward and be set off against taxable income of the five succeeding years.

10. Dividends paid

On 19 of March, the Board of Directors of the Company approved the payment of an interim dividend of US$ 0.7474 per share, amounting to US$ 80,000,357 which was paid to the shareholders (2018: US$ 80,000,920).

11. Investments in subsidiaries

	2019 US$	2018 US$
Balance as at 1 January	408,772,790	407,486,911
Additions(i)(ii)(iii)	269,628,209	1,285,879
Balance as at 31 December	**678,400,999**	**408,772,790**

The details of subsidiaries are as follows:

Name	Country of incorporation	Principal activities	2019 Holding %	2018 Holding %
Raftan Holding Limited	Cyprus	Holding of investments, provision of finance to other group companies	100.00	100.00
MHP B.V. (i)	Netherlands	Chicken meat processing	100.00	100.00
Eledem Investments Limited	Cyprus	Holding of investments, provision of finance to other related companies	100.00	100.00
Hemiak Investments Ltd(ii)	Cyprus	Holding of investments	100.00	100.00
MHP Lux S.A.	Luxemburg	Provision of finance to related companies	100.00	100.00
Urozhay NVF(*)	Ukraine	Grain cultivation	0.5	0.5
Starynska Ptahofabryka (*)	Ukraine	Breeder farm	0.85	0.85
MHP East Europe s.r.o.(iii) (*)	Slovakia	Provision of finance to related companies	0.01	-
Zernoproduct (*)	Ukraine	Grain cultivation	0.32	0.32

(*) Starynska PF, Zernoproduct, Urozhay NVF and MHP East Europe s.r.o. are directly and indirectly 100% owned by the Company.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

11. Investments in subsidiaries (Cont'd)

(i) During 2018 the company made capital contributions to MHP B.V. for an amount of US$1,241,237.

(ii) On 9 November 2018, MHP SE established Hemiak Investments Limited as a wholly owned subsidiary. The total issued share capital of the subsidiary consists of 1,000 ordinary shares with a nominal value EUR 1.00.

During 2019, the company made capital contributions to Hemiak Investments Limited for an amount of US$ 269,627,398.

(iii) During the year, MHP SE acquired 0.01% in the company MHP East Europe s.r.o. for US$ 811 (€750).

12. Non-current loans receivable

	2019 US$	2018 US$
Loans receivable from subsidiary companies (Note 22.4) (i)	540,388,863	626,505,887
Loans receivable from indirect subsidiary company (Note 22.4)	-	233,454
Loss allowance	(10,161,339)	(15,259,469)
	530,227,524	**611,479,872**

(i) The loans granted to the subsidiary companies are denominated in United States Dollars, bear interest at rates ranging from 4.15 % to 9.06% per annum and are due for repayment between 2020 and 2026. The loans granted are unsecured.

Expected credit losses

The Company determines the lifetime expected credit loss of other non-current loan receivables based on different scenarios of probability of default and expected loss applicable to each of the material underlying balances. The movement in loss allowance for loan receivables classified at amortised cost is detailed below:

	US$
As at 01 January 2018	**13,584,124**
Charged during the period	1,675,345
As at 01 January 2019	**15,259,469**
Reversal during the period	(5,098,130)
As at 31 December 2019	**10,161,339**

Maturity analysis

The following tables sets out the contractual maturity of the loans. The tables have been drawn up based on undiscounted cash flows. The tables include both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the borrowings in the statement of financial position.

2019	**Average effective interest rate %**	**Less than 1 year or on demand US$**	**Between 2-5 years US$**	**More than 5 years US$**	**Adjustment US$**	**Total US$**
Loans receivable (including accrued interest)	8.02%	11,659,787	663,289,115	47,931,476	(170,831,728)	552,048,650
		11,659,787	**663,289,115**	**47,931,476**	**(170,831,728)**	**552,048,650**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

12. Non-current loans receivable (Cont'd)

Maturity analysis

2018	Average effective interest rate %	Less than 1 year or on demand US$	Between 2-5 years US$	More than 5 years US$	Adjustment US$	Total US$
Loans receivable (including accrued interest)	8.31%	39,907,591	255,292,429	594,212,571	(238,258,582)	651,154,009
		39,907,591	**255,292,429**	**594,212,571**	**(238,258,582)**	**651,154,009**

Fair values

The fair values of loans receivable as at 31 December 2019 are disclosed in Note 3.

The exposure of the Company to credit risk and impairment losses, if any, in relation to loans receivable is reported in Note 3 of the financial statements.

13. Other non-current assets

The balances of other non-current assets were as follows as of 31 December 2019 and 2018:

	31 December 2019 US$	31 December 2018 US$
Non-financial instruments		
Prepayment for business acquisition	-	23,220,040
	-	**23,220,440**

14. Other receivables

	31 December 2019 US$	31 December 2018 US$
Accrued interest on loans receivable from subsidiary and indirect subsidiary companies (Note 22.4)	11,659,787	39,674,137
Dividends receivable – Raftan Holding Limited(Note 22.4)	2,058,057	67,501,460
Dividends receivable – Urozhay NVF (Note 22.4)	-	360,244
Other receivables (i)	2,645,943	14,072,491
	16,363,787	**121,608,332**

(i) Balance of other receivables includes balances with relates companies as shown in (Note 22.4)

The fair values of other receivables as at 31 December 2019 are disclosed in Note 3.

The exposure of the Company to credit risk and impairment losses if any, in relation to other receivables is reported in Note 3 of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

15. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include the following:

	31 December 2019 US$	31 December 2018 US$
Cash at bank	23,568,453	1,557,640
	23,568,453	**1,557,640**

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in Note 3 of the financial statements.

The fair values of cash at bank approximates their carrying amount as at 31 December 2019.

Non-cash transactions

According to the counterclaim offsetting agreements concluded on 7 June 2019 and 21 October 2019, between direct and indirect subsidiaries, loans receivable in the amount of US$ 64,229,000 and dividends receivable in the amount US$ 21,147,014 was used to offset against loans payable in the amount US$ 84,229,000 and interest payable in the amount of US$ 1,147,014.

In addition prepayment amounted to US$ 22,793,997 that was paid as part of the agreement for the acquisition of Perutnina Ptuj d.d. in the prior year was capitalised as part of the investment in subsidiary company Hemiak Investments Ltd, the owner of Perutnina Ptuj d.d..

16. Other financial assets

	31 December 2019 US$	31 December 2018 US$
Blocked cash at bank	3,321,758	3,383,805
	3,321,758	**3,383,805**

As of 31 December 2019, the Company held cash at bank in the amount of US$ 3,321,758 (2018: US$ 3,383,805) that were blocked serving as collateral to secure bank borrowings of subsidiaries of the Group (Note 24).

The exposure of the Company to credit risk and impairment losses, if any, is reported in Note 3 of the financial statements.

17. Property, plant and equipment

	Renovations US$	Furniture and Fittings US$	Computers US$	Total US$
Cost				
At 1 January 2018	-	-	-	-
Additions	103,460	60,047	3,998	167,505
At 31 December 2018/ 1 January 2019	**103,460**	**60,047**	**3,998**	**167,505**
Additions	-	536	3,132	3,668
At 31 December 2019	**103,460**	**60,583**	**7,130**	**171,173**
Depreciation:				
At 1 January 2018	-	-	-	-
Depreciation for the year	34,487	6,004	999	41,490
At 31 December 2018/ 1 January 2019	**34,487**	**6,004**	**999**	**41,490**
Depreciation for the year	34,487	6,058	2,043	42,588
At 31 December 2019	**68,974**	**12,062**	**3,042**	**84,078**
Net book value				
At 31 December 2019	**34,486**	**48,521**	**4,088**	**87,095**
At 1 January 2019	**68,973**	**54,043**	**2,999**	**126,015**

18. Shareholders' equity

Share capital and share premium

As of 31 December 2019 and 2018 the authorized, issued and fully paid share capital of MHP SE comprised the following number of shares:

	2019	*2018*
Number of ordinary shares – authorised share capital	110,770,000	110,770,000
Number of ordinary shares – issued and fully paid	110,770,000	110,770,000

As of 31 December 2019 the authorised share capital of the Company was EUR 221,540,000 divided into 110,770,000 ordinary shares, each having a nominal value of EUR 2 each. The authorised share capital of the Company is fully issued and all the shares are fully paid up.
Out of the total 110,770,000 ordinary shares, 3,731,792 (31 December 2018: 3,731,792) ordinary shares relate to "treasury shares" represented by an equal amount of GDRs held by its subsidiary Raftan Holding Ltd.

Legal reserve

In accordance with the Luxembourg company law, the Company was required to transfer a minimum of 5% of its net profit for each financial year to a legal reserve. This requirement ceases to be necessary once the balance on the legal reserve reaches 10% of the issued share capital. The legal reserve was not available for distribution to the shareholders.

Following the Transfer of Seat to Cyprus, there is no longer such requirement to maintain legal reserves. At the Annual General Meeting held on 18 June 2018, the shareholders resolved to transfer the balance from the legal reserve to retained earnings.

Other reserves

Other reserves mainly comprise of the following items:

(i) Bond issuance costs in the amount of US$ 13,196,088 settlement of which was assumed by subsidiary companies without any recharge.

(ii) Effect of acquisition of non-controlling interest in indirect subsidiary company in the amount of US$ 2,900,660. The difference between fair value of GDRs transferred and their carrying value amounting to US$ 2,900,660 was recognized directly to other reserves.

Treasury shares

As of 31 December 2016, the Company had 3,988,206 of its own GDRs held as "treasury shares". On 5 June 2017, the Company sold its 3,988,206 GDRs (1 GDR corresponds to 1 share) to its subsidiary Raftan Holding Ltd for a total consideration of US$ 38,486,188, generating a loss of US$ 9,777,520. As at 31 December 2017 the receivable amount of US$ 38,725,480 was shown as a deduction within equity under the classification of "treasury shares". As at 31 December 2018, the receivable amount was reclassified to Other receivables (Note 14).

At 31 December 2019 there are no amounts outstanding in regards to the sale of GDRs to Raftan Holding Ltd (2018: amount of US$ 10,725,480 included within other receivables.)

At 31 December 2019, the Company had no "treasury shares". The 3,731,792 (31 December 2018: 3,731,792) of the Company's GDRs were held by its wholly-owned subsidiary, Raftan Holding Ltd, at a total cost of US$ 44,593,000 (31 December 2018: US$ 44,593,000).

19. Bonds issued

	31 December 2019 US$	**31 December 2018 US$**
8.25% Senior Notes due 2020	-	79,417,000
7.75% Senior Notes due 2024	500,000,000	500,000,000
	500,000,000	579,417,000
Unamortized debt issuance costs	(15,531,245)	(20,652,914)
	484,468,755	**558,764,086**

As of 31 December 2019 and 31 December 2018 accrued interest on bonds issued was US$ 5,381,948 and US$ 6,978,341 respectively (see Note 21). On 21 October 2019 the Group redeemed all US$ 79,471,000 of the aggregate principal amount outstanding of its 8.25% Senior Notes due in 2020 in accordance with the terms of the indenture.

The Senior Notes are listed for trading on the Global Exchange Market of the Irish Stock Exchange.

19. Bonds issued (Cont'd)

7.75% Senior Notes

On 10 May 2017, the Company issued US$ 500,000,000 7.75% Senior Notes due in 2024 at par value. Out of the total issue amount US$ 245,200,000 were designated for redemption and exchange of then existing 8.25% Senior Notes due in 2020.

The Senior Notes are jointly and severally guaranteed on a senior basis by the Company and the following direct and indirect subsidiaries of the Company: Myronivsky Hliboprodukt, Ptahofabryka Peremoga Nova, Oril-Leader, Myronivsky Zavod po Vygotovlennyu Krup i Kombikormiv, Zernoproduct, Myronivska Ptahofabryka, Starynska Ptahofabryka, Katerynopilsky Elevator, Agrofort, NPF Urozhay, Vinnytska Ptahofabryka, Scylla Capital Limited and Raftan Holding Limited.

Interest on the Senior Notes is payable semi-annually in arrears. These Senior Notes are subject to certain restrictive covenants including, but not limited to, limitations on the incurrence of additional indebtedness in excess of Net Debt to Adjusted EBITDA ratio as defined by the indenture, restrictions on mergers or consolidations, limitations on liens and dispositions of assets and limitations on transactions with affiliates.

If the Group fails to comply with the covenants imposed, the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes may, upon written notice to the Group, declare all outstanding Senior Notes to be due and payable immediately. If a change of control occurs, the Group shall make an offer to each holder of the Senior Notes to purchase such Senior Notes at a purchase price in cash in an amount equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any.

Covenants

During the reporting periods ended 31 December 2019 and 31 December 2018 the MHP SE and its subsidiaries (MHP Group) has complied with all covenants defined by indebtedness agreement. As at 31 December 2019 the leverage ratio of the Group was 3.01 to 1, that is higher than the limit of 3.0 to 1 defined by indebtedness agreement. Although exceeding the ratio of 3.0 to 1 does not constitute the breach of any covenant under the indebtedness agreement, this leads to introduction of additional control measures by the Group. In particular, the Group has to supervise and assess incurrence of additional indebtedness, restricted payments (e.g. dividend distribution, investments in third parties), mergers with third parties outside of the Group, and granting of financing of any kind to third parties.

According to indebtedness agreements, such restrictions become effective on the date of publication of the audited consolidated financial statements as of and for the year ended 31 December 2019.

<u>Weighted average effective interest</u>

The weighted average effective interest rate on the Senior Notes is 8.79% per annum and 9.17% per annum for the year ended 31 December 2019 and 2018, respectively.

20. Loans payable

	31 December 2019 US$	31 December 2018 US$
Loans payable to subsidiary and indirect subsidiary companies (Note 22.5)		
Current portion	81,357,400	27,579,546
Non-current portion	96,072,370	48,821,837
	177,429,770	**76,401,383**

The loans payable are denominated in United States Dollars and in Euro, bear interest ranging from 2,5% to 4% and 4% to 5.5% per annum for the year ended 31 December 2019 and 2018 respectively and are repayable from 2020 to 2025.

<u>Fair values</u>

The fair values of loans payable as at 31 December 2019 are disclosed in Note 3.

21. Interest accrued

	31 December 2019 US$	31 December 2018 US$
Interest accrued on bonds issued (Note 19)	5,381,948	6,978,341
Interest accrued on loans payable to subsidiary and indirect subsidiary companies (Note 22.5)	9,355,088	5,444,386
	14,737,036	**12,422,727**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

22. Related party transactions

The controlling shareholder of MHP SE is Mr. Yuriy Kosyuk ("Principal Shareholder"), who owns 100% of the shares of WTI Trading Limited ("WTI"), which is the immediate majority shareholder of MHP SE, which in turn directly owns of 59,7% of the total outstanding share capital of MHP SE.

Details of related party transactions and balances between the Company and its related parties are disclosed below.

22.1 Income from subsidiary and indirect subsidiary companies (Note 5)

	2019 US$	2018 US$
Dividends income	142,371,703	150,194,977
Interest income	49,856,782	60,773,856
Consultancy and Legal services	2,409,566	3,264,510
	194,638,051	**214,233,343**

22.2 Directors' fees (Note 6)

	2019 US$	2018 US$
Directors' fees	1,265,600	1,180,779
	1,265,600	**1,180,779**

22.3 Expenses payable to subsidiary and indirect subsidiary companies (Note 7)

	2019 US$	2018 US$
Interest expense	8,199,497	3,799,196
	8,199,497	**3,799,196**

22.4 Receivables from related companies (Notes 12 and 14)

	31 December 2019 US$	31 December 2018 US$
Loans receivable from subsidiary and indirect subsidiary companies	530,227,524	611,479,872
Accrued interest on loans receivable from subsidiary and indirect subsidiary companies	11,659,787	39,674,137
Dividends receivable from subsidiary companies	2,058,057	67,861,704
Receivable from subsidiary on sale of treasury shares	-	10,725,480
Other receivables from related parties	2,603,474	3,304,567
	546,548,842	**733,045,760**

22.5 Payables to related companies (Notes 20 and 21)

	31 December 2019 US$	31 December 2018 US$
Loans payable to subsidiary and indirect subsidiary companies	177,429,770	76,401,383
Interest accrued on loans payable to subsidiary and indirect subsidiary companies	9,355,088	5,444,386
Directors' fee payable	72,853	65,113
	186,857,711	**81,910,882**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

22.6 Loans provided to shareholders

On 11 February 2019, the Board approved a loan facility of US$ 20,000,000 to its majority shareholder, WTI Trading Limited ("WTI") to meet WTI's general liquidity requirements and other corporate purposes for a maximum of three years. The facility was increased to US$ 50,000,000 on 4 December 2019. The facility was further increased by the Board to US$ 80,000,000 on 21 January 2020.

As of 31 December 2019, the MHP's subsidiaries had advanced loans to WTI in the aggregate amount of US$ 20,400,000. The loans, with a maturity in July 2020, bear interest at a rate of 8.25% and are unsecured.

Subsequent to 31 December 2019, the total amount of loans advanced was increased to US$ 55,400,000 including US$ 20,000,000 to be repaid in September 2020. The MHP's Directors believe that the loans were issued at arm's length terms and for fair market value, and that they were in the best interests and for the commercial benefit of the MHP's subsidiaries and does not violate the terms of the Senior Notes (Note 19).

23. Operating environment in Ukraine

The Ukrainian economy proceeded recovery from the economic and political crisis of previous years and demonstrated sound real GDP growth of around 3.3% year on year for the year ended 31 December 2019 (2018: 3.4%), modest annual inflation of 4.1% (2018: 9.8%), and stabilization of national currency.

Also Ukraine continued to limit its political and economic ties with Russia, given annexation of Crimea, an autonomous republic of Ukraine, and a frozen armed conflict with separatists in certain parts of Luhanska and Donetska regions. Amid such events, the Ukrainian economy demonstrated further refocusing on the European Union ("EU") market realizing all potentials of established Deep and Comprehensive Free Trade Area with EU, in such a way effectively reacting to mutual trading restrictions imposed between Ukraine and Russia.

In terms of currency regulations, the new currency law was adopted in 2018 and came into force on 7 February 2019. It purports to enable the National Bank of Ukraine (the "NBU") to promulgate more liberal currency regulation and soften a number of currency restrictions, such as: requirement to register loans obtained from non-residents with the NBU, 180-day term for making payments in foreign economic transactions, required 50% share of mandatory sale of foreign currency proceeds, etc.

Further economic growth depends, to a large extent, upon success of the Ukrainian government in realization of planned reforms and cooperation with the International Monetary Fund ("IMF").

The management of the Group believes that the negative impact of the political and economic turmoil at the Group's entities is reasonably limited due to the Group's significant portion of export sales, its access to the international financial markets and the significant distance of its main production sites from any conflict zones.

24. Commitments and contingent liabilities

Blocked cash at bank

The Company opened Reserve Accounts with Coöperatieve Rabobank U.A. in accordance with Loan Agreement dated March 29, 2016, Loan Agreements dated December 23, 2015, Loan Agreements dated July 05, 2016, Loan Agreements dated August 04, 2017, Loan Agreement dated October 31, 2017, Loan Agreement dated December 06, 2018 and made respectively between PJSC "Myronivsky Hliboproduct" as Borrower and Coöperatieve Rabobank U.A. as Lender.

As of 31 December 2019, the balance of the reserve accounts amounted to US$ 3,321,758 (2018: US$ 3,383,805).

Securities on the bank borrowings of the Group

The Company has provided guarantees in relation to the following outstanding indebtedness under the bank loan agreements entered into by the Company's direct or indirect subsidiaries:

- Rabobank for an amount of EUR 17,347,963 (2018: EUR 21,664,568)
- Ing bank N.V. bank for an amount of EUR 3,000,000 (2018: EUR 2,437,048)
- LandesBank Berlin AG bank for an amount of EUR 2,121,173 (2018: EUR 3,535,289)
- IFC US$ nil (2018: US$ 70,323,795)
- EBRD for an amount EUR 25,000,000 (2018: US$ 28,125,000 and EUR 25,000,000)
- EIB US$ nil (2018: 21,882,000)
- Ukrsibbank US$ nil (2018: US$ 16,000,000 and EUR 1,300,000)
- Credit Agricole US$ nil (2018: US$ 13,000,000)
- Citibank US$ nil (2018: US$ 19,000,000)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

Commitments and contingent liabilities (Cont'd)

The Company has provided guarantees in relation to the following outstanding indebtedness under the bonds issued by the Company's wholly owned subsidiary MHP Lux S.A., a public company with limited liability (société anonyme) incorporated under the laws of the Grand Duchy of Luxembourg:

- US$ 550,000,000 6.95% Senior Notes due in 2026 at par value issued on 3 April 2018.

The Senior Notes are jointly and severally guaranteed on a senior basis by the Company and the following direct and indirect subsidiaries of the Company: Myronivsky Hliboproduct, Ptahofabryka Peremoga Nova, Oril-Leader, Myronivsky Zavod po Vygotovlennyu Krup i Kombikormiv, Zernoproduct, Myronivska Ptahofabryka, Starynska Ptahofabryka, Katerynopilsky Elevator, Agrofort, NPF Urozhay, Vinnytska Ptahofabryka, Scylla Capital Limited and Raftan Holding Limited.

- US$ 350,000,000 6.25% Senior Notes due in 2029 at par value issued on 19 September 2019.

The Senior Notes are jointly and severally guaranteed on a senior basis by MHP SE, Raftan Holding Limited, PrJSC "Oril – Leader", PrJSC "Myronivska Pticefabrika", "SPF "Urozhay" LLC, "Starynska Ptakhofabryka" ALLC, "Vinnytska Ptakhofabryka" LLC, "Peremoga Nova" SE, "Katerinopolskiy Elevator" LLC, PrJSC "Myronivsky Hliboproduct", PrJSC "Zernoprodukt MHP" and PrJSC "Agrofort".

These Senior Notes are subject to certain restrictive covenants including, but not limited to, limitations on the incurrence of additional indebtedness in excess of Net Debt to Adjusted EBITDA ratio as defined by the indebtedness agreement, restrictions on mergers or consolidations, limitations on liens and dispositions of assets and limitations on transactions with affiliates. The debt covenants are calculated by reference to Group financial statements.

If the Group fails to comply with the covenants imposed, the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes may, upon written notice to the Group, declare all outstanding Senior Notes to be due and payable immediately. If a change of control occurs the Group shall make an offer to each holder of the Senior Notes to purchase such Senior Notes at a purchase price in cash in an amount equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any.

The Senior Notes are jointly and severally guaranteed on a senior basis by the Company and the following direct and indirect subsidiaries of the Company: PrJSC "MYRONIVSKY HLIBOPRODUCT", PrJSC "ZERNOPRODUKT MHP", PrJSC "AGROFORT", PrJSC "ORIL-LEADER", PrJSC "MYRONIVSKA PTICEFABRIKA", "SPF "UROZHAY" LLC, "STARYNSKA PTAKHOFABRYKA" ALLC, "VINNYTSKA PTAKHOFABRYKA" LLC, "PEREMOGA NOVA" SE, "KATERINOPOLSKIY ELEVATOR" LLC and Raftan Holding Limited

Interest on the Senior Notes is payable semi-annually in arrears. These Senior Notes are subject to certain restrictive covenants including, but not limited to, limitations on the incurrence of additional indebtedness in excess of Net Debt to Adjusted EBITDA ratio as defined by the indebtedness agreement, restrictions on mergers or consolidations, limitations on liens and dispositions of assets and limitations on transactions with affiliates. The debt covenants are calculated by reference to Group financial statements.

If the Group fails to comply with the covenants imposed, the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes may, upon written notice to the Group, declare all outstanding Senior Notes to be due and payable immediately. If a change of control occurs the Group shall make an offer to each holder of the Senior Notes to purchase such Senior Notes at a purchase price in cash in an amount equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any.

25. Events after the reporting period

On 13 April 2020, the Board of Directors approved payment of an interim dividend of US$ 0.2803 per share, equivalent to approximately US$ 30 million, to be paid to shareholders by the end of April 2020.

Other than the matters discussed in Note 22.6 regarding loans provided to shareholders and in Note 26 regarding impact of COVID 19, there were no other material events after the reporting period, which have a bearing on the understanding of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

26. Implications of the coronavirus outbreak on the business operations

With the recent and rapid development of the Coronavirus disease (COVID-19) outbreak the world economy entered a period of unprecedented health care crisis that has already caused considerable global disruption in business activities and everyday life.

Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations. Governments, including the Ukraine and Slovenia, have implemented restrictions on travelling as well as strict quarantine measures.

Industries such as tourism, hospitality and entertainment are expected to be directly disrupted significantly by these measures. Other industries such as manufacturing and financial services are expected to be indirectly affected and their results to also be negatively affected.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome.

Management has considered all available information about the future, which was obtained after 31 December 2019, including the impact of the COVID-19 outbreak on customers, suppliers and staff, as well as actual and projected foreseeable impact from various factors, such as the following:

- whether the Company and its subsidiaries ("the Group") can continue to operate if staff were not able to physically be present;
- the duration that the Group could survive given the availability of cash resources and the flexibility of its cost base;
- whether there has been a significant decline in revenue;
- whether there has been a significant erosion of profits due to higher costs or incurrence of unforeseen expenses;
- whether there is a likelihood of potential breach of debt covenants as a result of the adverse impact on its financials;
- whether there have been any concerns on the continuation of receipt of goods/services from suppliers.

Management has concluded that there is no significant impact in the Group's profitability position. The event is not expected to have an immediate material impact on the business operations. Management will continue to monitor the situation closely and will assess the need for addition measures in case the period of disruption becomes prolonged.

Despite COVID-19 outbreak, the Group continues to fulfill its liabilities. The Group made coupon payments on 18 March 2020 in respect of the 6.25% Senior Notes and on 2 April 2020 in respect of the 6,95% Senior Notes.

The event is considered as a non-adjusting event and is therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2019.