MHP SE

COMPANY SEPARATE
FINANCIAL STATEMENTS
31 December 2018

SEPARATE FINANCIAL STATEMENTS
31 December 2018

CONTENTS

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	John Grant Viktoria B. Kapelyushnaya Yuriy Kosyuk Yuriy Melnyk John Clifford Rich Raymond William Richards (appointed on 23 October 2017 and resigned on 23 October 2018) Roberto Banfi (appointed on 18 June 2018) Christakis Taoushianis (appointed on 26 July 2018) Roger Wills (appointed on 28 December 2018)
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 2018

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 2018 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;
- maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions;
- taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- preventing and detecting fraud and other irregularities.

The separate financial statements of the Company as of and for the year ended 31 December 2018 were authorized for issue by the Board of Directors on 19 March 2019. The consolidated financial statements of the Company and its subsidiaries as of and for the year ended 31 December 2018 were authorised for issue by the Board of Directors on 19 March 2019.

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 2018, on the basis of our knowledge, declare that:

a) the separate financial statements which are presented on pages 8 to 36:

   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 Director	John Grant Director	Viktoria Kapelyushnaya Director	John Clifford Rich Director
Yuriy Melnyk Director	Christakis Taoushianis Director	Roberto Banfi Director	Roger Wills Director

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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 9 to 37 and comprise the statement of financial position as at 31 December 2018, 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 2018, 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.

Independent Auditor's Report (Cont'd)

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 financial instruments As described in note 2 the Company has adopted the new accounting standards IFRS 9 "Financial Instruments" for the first time for the year beginning 1 January 2018. We consider the adoption of the new standard to be a key audit matter in relation to the calculation of Expected Credit Losses (ECL) of financial assets. IFRS 9 is a new and complex accounting standard which has requires considerable judgment and interpretation in its implementation, in particular around the calculation of ECL. Key areas of judgment included: - The interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Company's ECL model. - Assumptions used in the ECL model such as the financial condition of the counterparty, expected future cash flows and forward looking macroeconomic factors. As at 31 December 2018 the Company holds US$ 738,029,649 (2017: US$ 1,136,029,990) in financial assets with the majority being loans receivables and other receivables from fellow subsidiaries. Note 2 "Significant accounting policies" to the financial statements provides information on the adoption of IFRS 9 "Financial Instruments" ("IFRS9") by the Company from 1 January 2018, including the impact of the adoption.	We have performed the following audit procedures in order to address the risks of material misstatement associated with this key audit matter with the assistance of our internal experts: -We evaluated whether the Management's modelling approach and the accounting policies are appropriate and incorporate the requirements of IFRS 9 and guidance issued by relevant bodies. -We evaluated the completeness, accuracy and appropriateness of input data used in the calculations. -We have 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. -We have assessed the mathematical accuracy of the models and verified input used. -We performed a sensitivity analysis on the significant assumptions to evaluate the extent of impact on the ECL. -We considered the appropriateness of all related disclosures provided in the financial statements (notes 2 and 12 to the consolidated financial statements). No significant issues were noted as a result of our testing.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

Deloitte.

Independent Auditor's Report (Cont'd)

To the Members of MHP SE

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

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 second 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 19 March 2019 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.

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 2018. 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, 19 March 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2018

	Note	*2018* US$	*2017* US$
Revenue	**5**	214,233,343	158,239,553
Administration expenses	**6**	(7,455,751)	(3,194,254)
Impairment losses on financial assets	**12**	(1,675,345)	-
Other operating expenses		(20,703)	(154,090)
Operating profit		**205,081,544**	**154,891,209**
Finance costs	**7**	(75,137,702)	(90,755,275)
Other income/(expenses)	**8**	1,242,064	(7,822,945)
Profit before tax		**131,185,906**	**56,312,989**
Taxation	**9**	-	-
Net profit for the year		**131,185,906**	**56,312,989**
Other comprehensive income			
Other comprehensive income		**-**	**-**
Total comprehensive income for the year		**131,185,906**	**56,312,989**

STATEMENT OF FINANCIAL POSITION
as of 31 December 2018

	Note	*31 December 2018* US$	*31 December 2017* US$
ASSETS			
Non-current assets			
Investments in subsidiaries	11	408,772,791	407,486,911
Property, plant and equipment	17	126,015	-
Loans receivable	12	611,479,872	1,002,544,372
Other non-current assets	13	23,220,040	-
Other financial assets	16	3,383,805	2,533,676
		1,046,982,523	**1,412,564,959**
Current assets			
Other receivables	14	121,608,332	88,034,027
Cash and cash equivalents	15	1,557,640	4,581,483
		123,165,972	**92,615,510**
Total assets		**1,170,148,495**	**1,505,180,469**
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	108,007,354	43,055,989
Other reserves	18	10,843,145	10,843,145
Legal reserves	18	-	16,524,538
Treasury shares	18	-	(38,725,480)
Total equity		**521,488,903**	**434,336,496**
Non-current liabilities			
Bonds issued	19	558,764,086	970,087,658
Loans payable	20	48,821,837	57,363,883
		607,585,923	**1,027,451,541**
Current liabilities			
Loans payable	20	27,579,546	20,000,000
Interest accrued	21	12,422,727	22,516,555
Other payables and accruals		1,071,396	875,877
		41,073,669	**43,392,432**
Total liabilities		**648,659,592**	**1,070,843,973**
Total equity and liabilities		**1,170,148,495**	**1,505,180,469**

On 19.03.19 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. Kapelyushna

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

	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 2016/1 January 2017	**284,505,000**	**118,133,404**	**(48,503,000)**	**16,524,538**	**7,745,060**	**66,743,820**	**445,148,822**
Net profit for the year	-	-	-	-		56,312,989	56,312,989
Other received benefits (Note 18)	-	-	-	-	3,098,085	-	3,098,085
Effect of sale of treasury shares to subsidiary (Note 8(i)) (Note 18)	-	-	9,777,520	-	-	-	9,777,520
Dividends paid (Note 10)	-	-	-	-	-	(80,000,920)	(80,000,920)
Balance 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 (Note 2)	-	-	-	-	-	(2,758,059)	(2,758,059)
Balance 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 (Note 8(i)) (Note 18)	-	-	38,725,480	-	-	-	38,725,480
Transfer of legal reserve to retained earnings (Note 18)	-	-	-	(16,524,538)	-	16,524,538	-
Dividends paid (Note 10)	-	-	-	-	-	(80,000,920)	(80,000,920)
Balance at 31 December 2018	**284,505,000**	**118,133,404**	**-**	**-**	**10,843,145**	**108,007,354**	**521,488,903**

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 2018

	Note	2018 US$	2017 US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**131,185,906**	**56,312,989**
Adjustments for:			
Unrealized foreign exchange loss /(profit)		184,833	(537,416)
Impairment losses on financial assets	**12**	1,675,345	-
Interest income	**5**	(60,773,856)	(82,240,953)
Finance costs	**7**	75,137,702	90,755,275
Dividend income	**5**	(150,194,977)	(75,998,600)
Depreciation	**17**	41,490	-
Loss on sale of treasury shares	**8**	-	9,777,520
Operating cash flows before working capital changes		**(2,743,557)**	**(1,931,185)**
Decrease in other receivables		-	218,157
Increase in other receivables		(3,165,757)	-
Increase in other payables and accruals		195,519	220,931
Cash used in operations		**(5,713,795)**	**(1,492,097)**
Dividends received		124,243,558	97,404,762
Interest received		67,041,669	57,841,435
Interest paid		(67,969,451)	(73,898,885)
Net cash generated from operating activities		**117,601,981**	**79,855,215**
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital contribution to subsidiaries		(1,285,880)	(663,952)
Proceeds from sales of treasury shares		28,000,000	-
Purchase of fixed assets		(167,504)	-
Purchase of other non-current assets		(23,220,040)	-
Deposits, net		(1,311,506)	2,204,619
Repayments of loans granted		539,810,798	245,200,000
Loans granted		(164,005,767)	(497,744,372)
Net cash generated from/ (used in) investing activities		**377,820,101**	**(251,003,705)**
CASH FLOW FROM FINANCING ACTIVITIES			
Loans proceeds		37,150,000	44,102,210
Loans repaid		(38,179,572)	(23,018,470)
Dividends paid		(80,000,920)	(80,000,921)
Transaction costs related to corporate bonds issued		(1,232,433)	(11,319,402)
Repayment of bonds		-	(9,200,000)
Redemption of bonds		(416,183,000)	(245,200,000)
Proceeds from bonds issued		-	500,000,000
Net cash generated from/(used in) financing activities		**(498,445,925)**	**175,363,417**
Net (decrease)/increase in cash and cash equivalents		(3,023,843)	4,214,927
Cash and cash equivalents at the beginning of the year		4,581,483	366,556
Cash and cash equivalents at the end of the year	**15**	**1,557,640**	**4,581,483**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

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 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).

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 2018 in order to obtain a proper understanding of the financial position, performance and cash flows of the Company and the Group.

IFRS 9 Financial Instruments

In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The adjustments arising from the new requirements of recognition and measurement of financial liabilities are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognized in the opening balance sheet on 1 January 2018.

2. Significant accounting policies (Cont'd)

Adoption of new and revised International Financial Reporting Standards

IFRS 9 Financial Instruments (Cont'd)

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

The key requirements of IFRS 9 are:

- Classification and measurement of financial assets. All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- Classification and measurement of financial liabilities. With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- Impairment. In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.
- Hedge accounting. The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. Additionally, the Company adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018.

There were no financial assets or financial liabilities which the Company had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Company has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Company has elected to designate as at FVTPL at the date of initial application of IFRS 9.

Summarized impact from the adoption of IFRS 9 is as follows:

- Presentational changes in loans receivable (Note 12), other financial assets (Note 16), other receivables (Note 14), other payables and accruals note disclosures to reflect the business model and cash flow characteristics of these assets and liabilities and group them into their respective IFRS 9 category or other IFRS classification;
- An additional expected credit loss allowance in the amount of US$ 13,584 thousand as of 1 January 2018 (Note 12) and decrease of carrying amount of bonds issued in the amount of US$ 10,826 as of 1 January 2018 (Note 19), recognised against opening retained earnings.

Total effect of IFRS 9 implementation on retained earnings as of 1 January 2018 amounts to US$ 2,758,059 (decrease).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

2. Significant accounting policies (Cont'd)

Adoption of new and revised International Financial Reporting Standards

IFRS 9 Financial Instruments

The management of the Company reviewed and assessed the Company's existing financial assets and financial liabilities as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Company's financial assets and liabilities as regards their classification and measurement:

	Note	*Original measurement category under IAS 39*	*New measurement category under IFRS 9*	*IAS 39 carrying amount 31 December 2017*	*Reclassi fications*	*Remeasurements*	*IFRS 9 carrying amount 1 January 2018*	*Retained earnings effect on 1 January 2018*
				US$	**US$**	**US$**	**US$**	**US$**
Financial assets								
Loans receivable	12	Loan and receivable	Amortised cost	1,002,544,372	-	(13,584,124)	988,960,248	(13,584,124)
Other financial assets*	16	Loan and receivable	Amortised cost	2,533,676	-	-	2,533,676	-
Other receivables*	14	Loan and receivable	Amortised cost	88,034,027	-	-	88,034,027	-
Cash and cash equivalents*	15	Loan and receivable	Amortised cost	4,581,483	-	-	4,581,483	-
Financial liabilities								
Loans payable	20	Amortised cost	Amortised cost	77,363,883	-	-	77,363,883	-
Bonds issued	19	Amortised cost	Amortised cost	970,087,658	-	(10,826,065)	959,261,583	10,826,065
Other payables and accruals		Amortised cost	Amortised cost	875,877	-	-	875,877	-

* Management assessed that impact from the adoption of IFRS 9 as of 01 January 2018 and 31 December 2018 was not material.

IFRS 15 Revenue from Contracts with Customers

In the current year, the Company has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

Based on the nature of company's operations and revenue streams, the adoption of IFRS15 had no impact in respect of the time and amount of revenues to be recognised and accordingly prior period amounts were not restated.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

2. Significant accounting policies (Cont'd)

Adoption of new and revised IFRSs (Cont'd)

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 2018:

- IFRS 2 (amendments) Classification and Measurement of Share-based Payment Transactions
- IAS 40 (amendments) Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014 – 2016 Cycle: amendments to IAS 28 Investments in Associates and Joint Ventures
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

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

<u>Standards and Interpretations in issue but not effective:</u>

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:

At the date of authorization of these consolidated financial statements, the following Standards and Interpretations, as well as amendments to the Standards were in issue but not yet effective:

Standards and Interpretations	***Effective for annual period beginning on or after***
IFRS 16 Leases*	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021
Amendments to IFRS 9: Prepayment Features with Negative Compensation*	1 January 2019
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to IFRSs - Annual Improvements to IFRSs 2015 –2017 Cycle	1 January 2019
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	1 January 2019
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 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely
IFRIC 23 Uncertainty over Income Tax Treatments*	1 January 2019

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

2. Significant accounting policies (Cont'd)

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.

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

2. Significant accounting policies (Cont'd)

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) 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.

(ii) Dividend income

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

(iii) Consultancy and administrative services

Consultancy and administrative services provided by the Company are recognised as income during the year.

Finance costs

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

Foreign currency translation

(1) Functional and presentation currency

Items included in the 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.

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.

2. Significant accounting policies (Cont'd)

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 (this category is the most relevant to the Group):

- 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.
Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment.

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.

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.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. 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.

For other receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

For all other financial instruments, 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 Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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.

2. Significant accounting policies (Cont'd)

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.

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 and 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 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.

Loans granted

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

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

Cash and cash equivalents

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

Corporate bonds issued and other long-term payables

Bonds issued and other long-term payables are initially measured at fair value net of directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption amount is recognized over the term of the borrowings and recorded as finance costs

Borrowings

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost.

2. Significant accounting policies (Cont'd)

Impairment of financial assets

The Company assesses at each reporting date whether there are indications for impairment. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that a borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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 shares which were bought back by the Company reducing the number of outstanding shares on the open market. Repurchased shares 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.

3. Financial risk factors

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

3.1 Interest rate risk (Cont'd)

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

	Fixed rate instruments 2018 US$	Fixed rate instruments 2017 US$
Non-current loans receivable	611,479,872	1,002,544,372
Bonds issued	(579,417,000)	(995,600,000)
Loans payable	(76,401,383)	(77,363,883)
	(44,338,511)	**(70,419,511)**

3.2 Credit risk

Credit risk arises when a failure of a counterparty to discharge its obligations could reduce the amount of future inflows from financial assets held on statement of financial position. The Company has concentration of credit risk mainly from loans granted to its subsidiaries and indirect subsidiaries. The Company monitors its credit risk associated with balances due from related companies by evaluating the credit ability of the borrowers through reviewing of financial statements and repayments history, as well as the fair value and maintainable earnings of the debtors' business.

As detailed in the table below, the carrying amount of financial assets recorded in the financial statements net of impairment losses, represents the Company's maximum exposure to credit risk.

	Maximum credit exposure	
	2018	**2017**
	US$	**US$**
Non-current loans receivables	611,479,872	1,002,544,372
Other receivables	121,608,332	126,370,459
Other financial assets	3,383,805	2,533,676
Cash at bank	1,557,640	4,581,483
	738,029,649	**1,136,029,990**

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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

3.3. Liquidity risk (Cont'd)

2018	Average effective interest rate	Less than 1 year or on demand US$	Between 2-5 years or on demand 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
		87,465,463	**292,245,387**	**519,375,000**	**(250,426,258)**	**648,659,592**

2017	Average effective interest rate	Less than 1 year or on demand US$	Between 2-5 years or on demand US$	After 5 years US$	Adjustment US$	Carrying amount US$
Bonds issued and accrued interest	9.25%	95,008,366	711,931,000	558,125,000	(379,605,342)	985,459,024
Loans payable and accrued interest	4.84%	28,145,189	66,561,788	-	(10,197,905)	84,509,072
Other payables and accruals		875,877	-	-	-	875,877
		124,029,432	**778,492,788**	**558,125,000**	**(389,803,247)**	**1,070,843,973**

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. 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. The Company's overall strategy remains unchanged from previous years.

The Company's net debt as of 31 December 2018 and 2017 was as follows:

	2018 US$	2017 US$
Loans payable	81,845,768	84,509,072
Bonds issued	558,764,086	985,459,023
Total debt	**640,609,854**	**1,069,968,095**
Less:		
Cash and cash equivalents	(1,557,640)	(4,581,483)
Net debt	**639,052,214**	**1,065,386,612**
Operating profit	**205,081,544**	**154,891,210**
Net debt to operating profit	**3.12**	**6.88**

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	
	2018	2017	2018	2017
	US$	US$	US$	US$
Financial assets				
Non-current loans receivable	651,154,009	1,048,479,969	640,327,214	993,387,932
Other financial assets	3,383,805	2,533,676	2,414,000	1,623,517
Financial liabilities				
Loans payable	(81,845,768)	(84,553,566)	(76,655,578)	(78,302,314)
Bonds	(565,742,427)	(985,459,023)	(547,279,000)	(1,085,693,000)

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: 7.8% and 7.99% respectively (2017: 7.7%), and is within Level 2 of the fair value hierarchy.

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

	01 January 2018	Cash flow from proceeds / (repayments)	Transaction costs payments	Non-cash movements			31 December 2018
				Accruals for the year	Foreign exchange movements	Amortisation and write-off of transaction costs	
	US$	US$	US$	US$	US$	US$	US$
Loans payable	77,363,883	(962,500)	-	-	-	-	76,401,383
Bonds issued	959,261,892	(416,183,000)	(1,240,013)	-	-	16,925,207	558,764,086
Interest accrued	22,516,555	(67,969,451)	-	57,875,624	-	-	12,422,728
Total	**1,059,142,330**	**(485,114,951)**	**(1,240,013)**	**57,875,624**	**-**	**16,925,207**	**647,588,197**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

3.6 Fair value estimation (Cont'd)

Reconciliation of liabilities arising from financing activities

	01 January 2017	Cash flow from proceeds / (repayments)	Transaction costs payments	Non-cash movements			31 December 2017
				Accruals for the year	Foreign exchange movements	Amortisation and write-off of transaction costs	
	US$	US$	US$	US$	US$	US$	US$
Loans payable	56,280,143	21,083,740	-	-	-	-	77,363,883
Bonds issued	725,360,145	245,600,000	(15,145,475)	-	4,909	14,268,079	959,261,892
Interest accrued	19,205,165	(73,898,885)	-	76,753,024	457,251	-	22,516,555
Total	**800,845,453**	**192,784,855**	**(15,145,475)**	**76,753,024**	**462,160**	**14,268,078**	**1,059,142,330**

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 ECL the Company 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.

5. Revenue

	2018	2017
	US$	US$
Dividend income (Note 22.1)	150,194,977	75,998,600
Interest income (Note 22.1)	60,773,856	82,240,953
Consultancy and administrative (Note 22.1)	3,264,510	-
	214,233,343	**158,239,553**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

6. Expenses

	2018	2017
	US$	US$
Legal and other professional fees	4,971,941	1,882,451
Directors' fees(ii)	1,180,779	648,735
Non-recoverable VAT	478,167	164,355
Auditors' remuneration(i)	162,725	131,231
Other administrative expenses	620,649	367,482
Depreciation	41,490	-
	7,455,751	**3,194,254**

(i) Auditor's remuneration includes statutory audit fees amounting to US$ 156,263 (2017: US$ 100,424), fees for other assurance services amounting to US$ nil (2017: US$ 13,496), tax advisory services amounting to US$ 6,462 (2017: US$ 1,295) and other non-audit services amounting US$ nil (2017: US$ 16,016).

(ii) Directors' fees comprise of amounts attributable to independent non-executive directors of the Company. As at 31 December 2018 and 2017, there were 4 and 3 independent non-executive directors respectively.

7. Finance cost

	2018	2017
	US$	US$
Interest on bonds	(54,076,428)	(73,688,000)
Bond issuance cost (i)	(16,925,207)	(14,002,251)
Interest expense on loan payable	(3,799,196)	(3,065,024)
Other finance expenses	(336,871)	-
	(75,137,702)	**(90,755,275)**

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

8. Other income/(expenses), net

	2018	2017
	US$	US$
Loss on sale of treasury shares (i)	-	(9,777,520)
Foreign exchange (loss)/gain	(184,833)	593,500
Other income, net (ii)	1,426,897	1,361,075
Other (expense)/income(net)	**1,242,064**	**(7,822,945)**

(i) On 15 June 2017, the Company sold 3,988,206 of its GDRs to its subsidiary Raftan Holding Ltd for a total consideration of US$ 38,725,480, generating a loss of US$9,777,520.
(ii) Other income includes an amount of US$1,420,544 (2017: US$1,420,800) which was reimbursed from the depositary of GDRs.

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:

	2018 US$
Profit/(loss) before income tax	131,185,906
Income tax calculated at the applicable tax rates	16,398,238
Tax effect of expenses not deductible for tax purposes	2,642,452
Tax effect of allowances and income not subject to income tax	(18,782,134)
Tax effect of tax losses brought forward	(258,556)
Tax charge	-

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%.

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 6 of March, the Board of Directors of the Company approved the payment of an interim dividend of US$ 0.7492 per share, amounting to US$ 80,000,920 which was paid to the shareholders.

11. Investments in subsidiaries

	2018 US$	2017 US$
Balance as at 1 January	407,486,911	406,822,959
Additions(I)(II)(III)(IV)	1,285,879	663,952
Balance as at 31 December	**408,772,790**	**407,486,911**

The details of subsidiaries are as follows:

Name	**Country of incorporation**	**Principal activities**	**2018 Holding %**	**2017 Holding %**
Raftan Holding Limited(I)	Cyprus	Holding of investments, provision of finance to other group companies	100.00	99.99
MHP B.V. (V)	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(III)	Cyprus	Holding of investments	100.00	-
MHP Lux S.A.(IV)	Luxemburg	Provision of finance to related companies	100.00	-
Urozhay NVF(*)	Ukraine	Grain cultivation	0.5	0.5
Starynska Ptahofabryka (*)(II)	Ukraine	Breeder farm	0.85	0.25
Zernoproduct (*)	Ukraine	Grain cultivation	0.32	0.32

(*) Starynska PF, Zernoproduct and Urozhay NVF are 100% owned by MHP Group

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11. Investments in subsidiaries (Cont'd)

(I) On 12 of April 2018 Monova Investments Ltd transferred to MHP SE the 1 (one) ordinary share of nominal value EUR 1 in the undertaking called Raftan Holding Ltd. As result the investment in Raftan Holding Limited increased to 100.00%.

(II) During the year MHP SE increased its investment in Starynska Ptahofabrika from 0.25% to 0.85%.

(III) 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.

(IV) On 14 February 2018 the company established in Luxemburg, MHP Lux S.A. as a wholly owned subsidiary. The total issued share capital of the company consists of 30,000 ordinary shares with a nominal value EUR 1.00.

(V) During 2018 and 2017, the company made capital contributions to MHP B.V. for an amount of US$1,241,237 and US$ 663,952 respectively.

12. Non-current loans receivable

	2018	2017
	US$	US$
Loans receivable from subsidiary companies (Note 22.3) (i)	611,246,418	1,002,300,000
Loans receivable from indirect subsidiary company (Note 22.3)	233,454	244,372
	611,479,872	**1,002,544,372**

(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:

	2018
	US$
As at 31 December 2017	-
Loss allowance under IFRS 9	13,584,124
As at 01 January 2018	**13,584,124**
Charged during the period	1,675,345
As at 31 December 2018	**15,259,469**

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.

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**

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

Maturity analysis

2017	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)	8.98%	46,179,968	611,233,596	769,682,932	(378,606,527)	1,048,489,969
		46,179,968	**611,233,596**	**769,682,932**	**(378,606,527)**	**1,048,489,969**

Fair values

The fair values of loans receivable as at 31 December 2018 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 2018 and 2017:

	31 December 2018 US$	31 December 2017 US$
Non-financial instruments		
Prepayment for business acquisition (Note 25)	23,220,040	-
	23,220,440	**-**

14. Other receivables

	31 December 2018 US$	31 December 2017 US$
Accrued interest on loans receivable from subsidiary and indirect subsidiary companies (Note 22.3)	39,674,137	45,935,597
Dividends receivable – Raftan Holding Limited(Note 22.3)	67,501,460	35,796,638
Dividends receivable – Eledem Investments Limited (Note 22.3)	-	5,950,000
Dividends receivable – Urozhay NVF (Note 22.3)	360,244	163,646
Tax receivable	-	184,055
Other receivables (Note 22.3)	14,072,491	4,091
	121,608,332	**88,034,027**

The fair values of other receivables as at 31 December 2018 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.

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15. Cash and cash equivalents

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

	31 December 2018 US$	31 December 2017 US$
Cash at bank	1,557,640	4,581,483
	1,557,640	**4,581,483**

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 2018.

16. Other financial assets

	31 December 2018 US$	31 December 2017 US$
Blocked cash at bank	3,383,805	2,533,676
	3,383,805	**2,533,676**

As of 31 December 2018, the Company held cash at bank in the amount of US$ 3,383,805 (2017: US$ 2,533,676) that were blocked serving as collateral to secure bank borrowings of subsidiaries of the Group (Note 23).

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	3,997	167,504
At 31 December 2018	103,460	60,047	3,997	167,504
Depreciation:				
At 1 January 2018	-	-	-	-
Depreciation for the year	34,487	6,004	999	41,490
At 31 December 2018	34,487	6,004	999	41,490
Net book value				
At 31 December 2018	68,973	54,043	2,998	126,014
At 1 January 2018	-	-	-	-

18. Shareholders’ equity

Share capital and share premium

As of 31 December 2018 and 2017 the authorized, issued and fully paid share capital of MHP SE comprised the following number of shares:

	2018	*2017*
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 2018 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 2017: 3,988,206) ordinary shares relate to treasury shares 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, for the transaction referred to in Note 11(i) 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 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).

During the year the subsidiary settled an amount of US$28,000,000. At 31 December 2018 the amount outstanding of US$10,725,480 is included within other receivables. After the year end a further amount of US$10,000,000 was repaid.

At 31 December 2018, the Company, through its wholly-owned subsidiary, Raftan Holding Ltd holds 3,731,792 (31 December 2017: 3,988,206) of its own GDRs with the total cost of US$44,593,000 (31 December 2017: US$48,503,000).

19. Bonds issued

	31 December 2018	**31 December 2017**
	US$	**US$**
8.25% Senior Notes due 2020	79,417,000	495,600,000
7.75% Senior Notes due 2024	500,000,000	500,000,000
	579,417,00	995,600,000
Unamortized debt issuance costs	(20,652,914)	(25,512,342)
	558,764,086	**970,087,658**

As of 31 December 2018 and 31 December 2017 accrued interest on bonds issued was US$ 6,978,341 and US$15,371,366 respectively (see Note 21).
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 thousand 7.75% Senior Notes due in 2024 at par value. Out of the total issue amount US$ 245,200 thousand were designated for redemption and exchange of existing 8.25% Senior Notes due in 2020.

Early redemption of 8.25% Senior Notes due in 2020 out of issue of 7.75% Senior Notes due in 2024, which were placed with the same holders and where the change in the net present value of the future cash flows discounted using the original effective interest rate was less than 10% was accounted as an exchange and thus, all the related expenses, including part of consent fees, were capitalized and will be amortized over the maturity period of the 7.75% Senior Notes due in 2024 in the amount of US$ 9,830 thousand. Other related expenses, including part of consent fees, in the amount of US$ 4,599 thousand were expensed as incurred.

The carrying amount of the Senior Notes was adjusted on transition to IFRS 9. Under IFRS 9, as a result of a non-substantial modification, the difference between the present value of the cash flows under the original and modified terms discounted at the original effective interest rate should be recognized as a gain at the date of modification. The difference between the carrying amount of the Senior Notes under IAS 39 and IFRS 9 was recognized in opening retained earnings in the amount of US$ 7,566 thousand (Note 2).

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, 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.

8.25% Senior Notes

On 8 April 2013, MHP SE issued US$ 750,000 thousand 8.25% Senior Notes due in 2020 at an issue price of 100% of the principal amount. US$ 350,000 thousand out of issued US$ 750,000 thousand 8.25% Senior Notes were used to fund the early redemption and exchange of its existing 10.25% Senior Notes due in 2015.

The early redemption of the 10.25% Senior Notes due in 2015 out of the issuance of 8.25% Senior Notes due in 2020, which were placed with the same holders and where the change in the net present value of the future cash flows discounted using the original effective interest rate was less than 10% was accounted as an exchange. Thus all the related expenses, including part of consent fees, were capitalized and will be amortized over the maturity period of the 8.25% Senior Notes due in 2020 in the amount of US$ 28,293 thousand.

Other related expenses, including part of consent fees, in the amount of US$ 16,515 thousand were expensed as incurred.

The carrying amount of the Senior Notes was adjusted on transition to IFRS 9. Under IFRS 9, as a result of a non-substantial modification, the difference between the present value of the cash flows under the original and modified terms discounted at the original effective interest rate should be recognized as a gain at the date of modification. The difference between the carrying amount of the Senior Notes under IAS 39 and IFRS 9 was recognized in opening retained earnings in the amount of US$ 3,260 thousand (Note 2).

On 3 April 2018, wholly owned subsidiary MHP Lux S.A., a public company with limited liability (société anonyme) incorporated in 2018 under the laws of the Grand Duchy of Luxembourg, issued US$ 550,000 thousand 6.95% Senior Notes due in 2026 at par value. Out of the total issue amount US$ 416,183 thousand were designated for redemption and exchange of 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, Snyatynska Ptahofabryka, Katerynopilsky Elevator, Agrofort, NPF Urozhay, Vinnytska Ptahofabryka, Scylla Capital Limited, Raftan Holding Limited, Merique Holding Limited.

19. Bond issued (Cont'd)

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.

Consent solicitation

On 12 October 2018, the Group received consent from the Holders of the outstanding US$ 750,000 thousand 8.25% Senior Notes for certain proposed amendments to the Indenture and the Notes. The Amendments were implemented by way of execution of the Supplemental Indenture on 15 October 2018, and became effective from the Consent Settlement Date (17 October 2018).

In relation to the Notes, the Company has, on the Consent Settlement Date, paid to those Holders from whom valid Consents were delivered and not revoked on or prior to the Consent Expiration Date and which Consents were accepted by the Company the Consent Payment of US$ 10.00 for each US$ 1 thousand in principal amount of the Notes that were subject of the relevant Electronic Instructions.

Compliance with bond covenants

During the reporting periods ended 31 December 2018 and 31 December 2017 the Group has complied with all covenants defined by indebtedness agreement.

Weighted average effective interest

The weighted average effective interest rate on the Senior Notes is 9.17% per annum and 9.25% per annum for the year ended 31 December 2018 and 2017, respectively.

20. Loans payable

	31 December 2018 US$	**31 December 2017 US$**
Loans payable to subsidiary and indirect subsidiary companies		
Current portion	27,579,546	20,000,000
Non-current portion	48,821,837	57,363,883
	76,401,383	**77,363,883**

The loans payable are denominated in United States Dollars, bear interest ranging from 4% to 5.50% per annum and are repayable from 2018 to 2021.

Fair values

The fair values of loans payable as at 31 December 2018 are disclosed in Note 3.
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21. Interest accrued

	31 December 2018 US$	**31 December 2017 US$**
Interest accrued on bonds issued	6,978,341	15,371,366
Interest accrued on loans payable to subsidiary and indirect subsidiary companies	5,444,386	7,145,189
	12,422,727	**22,516,555**

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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)

	2018 US$	2017 US$
Dividends income	150,194,977	75,998,600
Interest income	60,773,856	82,240,953
Consultancy and Legal services	3,264,510	-
	214,233,343	**158,239,553**

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

	2018 US$	2017 US$
Interest expense	3,799,196	3,065,024
	3,799,196	**3,065,024**

22.3 Receivables from related companies (Notes 12 and 14)

	31 December 2018 US$	31 December 2017 US$
Loans receivable from subsidiary and indirect subsidiary companies	611,479,872	1,002,544,372
Accrued interest on loans receivable from subsidiary and indirect subsidiary companies	39,674,137	45,935,597
Dividends receivable from subsidiary companies	67,861,704	41,910,284
Receivable from subsidiary on sale of treasury shares	10,725,480	38,725,480
Other receivables from related parties	3,304,567	38,390
	733,045,760	**1,129,154,123**

22.4 Payables to related companies (Notes 20 and 21)

	31 December 2018 US$	31 December 2017 US$
Loans payable to subsidiary and indirect subsidiary companies	76,401,383	77,363,883
Interest accrued on loans payable to subsidiary and indirect subsidiary companies	5,444,386	7,145,189
Directors' fee payable	65,113	62,289
	81,910,882	**84,571,361**

23. Operating environment in Ukraine

In 2018 year, the Ukrainian economy proceeded recovery from the economic and political crisis of previous years and demonstrated sound real GDP growth of around 3.4% (2017: 2.5%), modest annual inflation of 9.8% (2017: 13.7%), and slight devaluation of national currency by around 2.4% to US$ and 8.2% to EUR comparing to previous year averages.

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. As a result, the weight of the Russian's export and import substantially fell from 18.2% and 23.3% in 2014 to around 7.7% and 14.2% in 2018, respectively.

In terms of currency regulations, the new currency law was adopted in 2018 and will come into force on 7 February 2019. It purports to enable 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, cooperation with the International Monetary Fund ("IMF"), and smooth transition through presidential and parliamentary elections, due in March and October 2019, respectively.

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, 2017 and made respectively between PJSC "Myronivsky Hliboproduct" as Borrower and Coöperatieve Rabobank U.A. as Lender.

As of 31 December 2018, the balance of the reserve accounts amounted to US$ 3,383,805 (2017: US$ 2,533,676).

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 21,664,568 (2017: EUR 15,242,056)
- Ing bank N.V. bank for an amount of EUR 2,437,048 (2017: EUR 4,061,747)
- LandesBank Berlin AG bank for an amount of EUR 3,535,289 (2017: EUR 6,664,903)
- IFC bank for an amount of US$ 70,323,795 (2017: US$ 73,750,000)
- EBRD for an amount up to US$ 28,125,000 and EUR 25,000,000 (2017: US$ 33,750,000)
- EIB for an amount of US$ 21,882,000 (2017: EUR 25,529,000)
- Ukrsibbank for an amount of US$ 16,000,000 and EUR 1,300,000 (2017: UAH 270,000,000)
- Credit Agricole for an amount of US$ 13,000,000 (2017: nil)
- Citibank for an amount of US$ 19,000,000(2017: nil)
- Deutsche Bank AG for an amount of EUR nil (2017: EUR 2,481,620)

Bonds (Note 18)

The Senior Notes are secured by a first-ranking assignment of the Company's right under the Proceeds Loan with its subsidiary Eledem.

The Senior Notes are jointly and severally guaranteed on a senior basis by MHP SE, PrJSC "Myronivsky Hliboprodukt", PJSC "Myronivsky Plant of Manufacturing Feeds and Groats", 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, Scylla Capital Limited, Raftan Holding Limited and Merique Holding Limited.

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25. Events after the reporting period

On 21 February 2019, the Group acquired 90.69% of the ordinary shares in Perutnina Ptuj d.d., a Slovenian based international meat-processing company and the most important and largest producer of poultry meat and poultry meat products in Southeast Europe. Perutnina Ptuj d.d. together with its subsidiaries has production capacity of 55,000 tonnes per annum of poultry meat and more than 35,000 tonnes per annum of added value meat. The deal was financed by cash from operations and bank loan from ING NV in the amount of EUR 100 million. As part of the transaction, the Company has made a prepayment of EUR 20,000,000 (US$ 23,220,040) before the year end. The final consideration amount is subject to the completion of audited results of Perutnina Ptuj d.d. for the year ended 31 December 2018. The necessary measure of fair values of the identifiable assets acquired and the liabilities assumed as well as other calculations required for this business combination have not yet been finalized.

On 18 March 2019, the subsidiary company, Raftan Holding Limited, declared dividends in the total amount of US$ 90,000,000 to the Company.

On 19 March 2019, the Board of Directors of the Company approved the payment of an interim dividend of US$ 0.7474 per share, equivalent to US$ 80,000,357.