DonAgro

# ANNUAL REPORT

2019

SOWING SEEDS
FOR FUTURE GROWTH

Don Agro International Limited (the "Company") was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 14 February 2020. The initial public offering of the Company was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor").

This annual report has been prepared by the Company and its contents have been reviewed by the Sponsor in accordance with Rules 226(2)(b) and 753(2) of the the SGX-ST Listing Manual Section B: Rules of Catalist.

This annual report has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Mr Joseph Au, Associate Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, and E-mail: sponsorship@ppcf.com.sg).

# DON AGRO INTERNATIONAL LIMITED

2019 ANNUAL REPORT

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**Dear Shareholders,**

On behalf of the Board of Directors (the "Board") of Don Agro International Limited (the "Company" or "Don Agro") and its subsidiaries (collectively the "Group"), it is my pleasure to present to you our inaugural annual report for the financial year ended 31 December 2019 ("FY2019").

**Becoming the First Russian Company to List on the SGX-ST**

FY2019 was a monumental year for Don Agro as we successfully listed on the Catalist board of Singapore Exchange Securities Trading Limited (the "SGX-ST"), becoming the first Russian company to do so. We debuted on the SGX-ST on 14 February 2020 at S$0.25, 13.6% higher than our initial public offering price of S$0.22 apiece. We are proud to be listed on the SGX-ST as our listing will help to raise our profile and allow investors across the world to gain access to Russia's growing agricultural industry.

**A Strategic Move to Gain Closer Proximity to High-growth Markets**

Our listing was a strategic move as it will allow us to gain closer proximity to key high-growth markets. To put this in context, the Southeast Asian region has become the world's largest importer of wheat. Within the region, the domestic production of wheat is almost non-existent, meeting less than 1% of demand requirements and its growth in consumption has led directly to higher import demand.

In Indonesia for example, based on surging demand for food, the country has doubled its wheat imports in the last decade, becoming the world's second-leading importer after Egypt. In 2020, South East Asia is forecast again to be the world's top wheat importing region, with Indonesia and The Philippines continuing to be the driving forces[1].

As we are one of the largest agricultural companies in the Rostov Region of Russia, we are well poised to capture opportunities for growth in the region.

**Prospects of a Burgeoning Russian Agricultural Industry**

Russia has emerged as an agricultural powerhouse. Today, the agriculture sector plays an important role in Russia's economy as Russia was the world's largest exporter of wheat, the second-largest producer of sunflower seeds and the fourth-largest producer of milk in 2019. As the agricultural industry forms a key component of Russia's overall economy, the government views the sector as a strategic one to further the country's long-term growth and a myriad of subsidies are in place to boost Russian agribusinesses.

In 2019, the Russian Agriculture Ministry said that the country will be harvesting on average 140 million tons of grain per year until 2035, up 24% compared to the 2018 level. Around 281 billion Rubles (US$4.3 billion) will be invested into various infrastructure projects, including the building of grain terminals in Russian seaports, and some storage facilities for grain and feed. These investments are aimed at improving logistics in the Russian grain and feed industries. Furthermore, the anticipated increase in Russian grain production is expected to drive the overall value of Russia's agricultural exports to US$45 billion in 2025, which would be nearly double compared to 2018[2].

Against this backdrop, we have a superior competitive advantage and a longstanding reputation with our customers for our wheat production capabilities.

The Rostov region of Russia where we are located is known for its rich black soils and favourable geographic proximity to the Azov Sea and Don River international ports. This is where key international traders such as Cargill, Bunge, Glencore and Louis Dreyfus are located and operate from.

The expansion of Russian agricultural exports, especially wheat, still has much room to grow as Russia explores untapped new trade opportunities abroad in Southeast Asia, the Middle East and Latin America.

While exciting opportunities for exports exist, the domestic market remains stable. The local demand for wheat, corn and sunflower is high and in case of a decrease of export quotas it supports the local producers. We can easily switch from export to domestic sales with no loss in price. Our business is thus resilient against changing economic trends.

**Strategies for Growth**

With our new platform and higher profile in the region, we are actively exploring opportunities in mergers and acquisitions, joint ventures and strategic alliances with both domestic and foreign companies. We are looking to expand our network and learn from business partners. Within Russia, we are looking to seek suitable opportunities to expand into other high growth regional markets by leveraging on our expertise and experiences. The regional markets include the Rostov region and the Krasnodar region.

Our near-term future growth plans also include the expansion of our arable land bank. We intend to expand through the acquisition of companies engaging in similar businesses or through the acquisition of arable plots of land. We intend to focus our acquisition of land on plots of land which are near our current operations and/or nearer to the ports in the Rostov region.

We will also be acquiring new machinery to upgrade our existing equipment and machinery as we continue to expand our land bank. Such equipment and machinery may include seeders, tractors and harvesters. We believe that the acquisition of such new equipment and machinery will improve our efficiency, productivity and yield for our crop business.

**Outlook**

Despite uncertainty on the export prices of wheat due to the ongoing Covid-19 pandemic, strong domestic demand and the stable consumption of local agricultural produce will ensure that local wheat prices remain well supported. Furthermore, we do not expect significant changes within the livestock segment as we continue to chart steady growth. Looking ahead into FY2020, the mild winter and sufficient levels of precipitation have improved current winter wheat conditions and we expect a good harvest yield in the coming months.

**Rewarding Shareholders as we Continue our Growth Trajectory**

As we continue to grow, we remain committed to rewarding our shareholders. Accordingly, the Board has declared a maiden final dividend of 0.7 Singapore cents per share, representing a payout ratio of 20%. As indicated in our offer document during our initial public offering in February 2020, the Board intends to distribute dividends of up to 20.0% of net profit after tax attributable to shareholders for each of FY2019, FY2020 and FY2021 to reward shareholders for participating in the Group's growth.

**Appreciation**

On behalf of the Board, I would first like to thank our valued shareholders for their confidence in the management team as we work to achieve long-term shareholder value through the execution of our various strategies.

I would also like to thank our customers, business associates and suppliers for their continued support. Lastly, my deepest appreciation goes out to all our employees for their dedication and commitment to operational excellence. Without your support, we would not have been able to achieve the success we had in FY2019. I look forward to reaching new milestones together as we enter a new decade.

**Evgeny Tugolukov**
*Executive Chairman*
April 2020

[1]Grain Central, South East Asia becomes biggest world wheat market: USDA, 12 June 2019 (https://www.graincentral.com/markets/south-east-asia-becomes-biggest-world-wheat-market-usda/)

[2]Russian Business Today, Russia Announces New Strategy to Develop Grain Industry, 13 September 2019 (https://russiabusinesstoday.com/agriculture/russia-announces-new-strategy-to-develop-grain-industry/)

# BOARD OF DIRECTORS

### EVGENY TUGOLUKOV
***Executive Chairman***

Evgeny Tugolukov is our Executive Chairman. He was appointed to our Board on 28 November 2018 and is responsible for setting and executing the strategic directions and expansion plans for the growth and development of our Group.

He has over 20 years of experience holding top management positions in various financial and industrial groups. Evgeny Tugolukov began his career in 1993 when he joined MDM Bank, one of the largest private banks in Russia, before going on to build up and manage several sizable holdings. In 2005, he formed EMAlliance Public JSC ("EMAlliance") where he served as chairman of the board of directors until 2007, developing it into one of Russia's largest power machine-building companies. In 2008, he founded Strongbow Investments Pte Ltd ("Strongbow"), a Singapore-incorporated international holding company with a diverse range of investments in the areas of high-tech start-ups, entertainment, healthcare, real estate development and agriculture, and a strong geographical focus on Southeast Asia, Russia and Eastern Europe. He has been the managing director of Strongbow since 2012. From 2007 to 2011, Evgeny Tugolukov was a Member of Parliament of the State Duma of the Russian Federation, as well as the Chairman of the State Duma Committee on Natural Resources. He was also an honorary business representative with Enterprise Singapore, promoting bilateral trade and business relations between Singapore and Russia from 2014 to 2018. Evgeny Tugolukov graduated with a Diploma in Economics and Management from the Ural Federal University in 2000.

### MARAT DEVLET-KILDEYEV
***Chief Executive Officer***

Marat Devlet-Kildeyev is our Chief Executive Officer and has been with our Group since 2012, when he was the chairman of the board of Don Agro JSC and Don Agro LLC. He became the general director of Don Agro LLC in 2014 and chief executive officer of Happy Cow in 2015. In 2017, he became the President of Don Agro LLC, in which capacity he was responsible for developing relationships with potential investors and foreign partners as well as evaluating foreign capital markets. He took on the same role in Tetra JSC in 2018 and was appointed to our Board on 28 November 2018. As Chief Executive Officer, he is responsible for directing and controlling the operations of the Group and its key operational subsidiaries.
Marat Devlet-Kildeyev joined Barclays Bank of Canada in 1993 (which was subsequently acquired by Hong Kong Bank of Canada in 1995) where he was deputy treasury manager and head of leasing. He then joined Renaissance Capital Limited in 1998 as head of risk management and then chief financial officer for the company, before becoming the first deputy general director of the Renaissance Insurance Group LLC in 1999. He then joined a media company, Afisha Industries CJSC, as general director in 2001 before joining an investment holding company Rinaco JSC, as managing director in 2003. He subsequently joined a Rinaco JSC-managed engineering company, TKZ-Management LLC, as general director in 2005, and EMAlliance as first deputy general director in 2005. In 2006, he became the chief operating officer of power and energy-focused, ESN JSC. He then joined an Aegis Media Russia-related media company, O.K Solutions LLC, as general director from 2007 to 2008, before joining the Moscow representative office of CTC-Media. Inc. as deputy general director and head of international broadcasting in 2009 until 2012. In 2013, he joined ProdAlliance Limited, which was managing the business of our Group, as head of representative office until 2018. Marat Devlet-Kildeyev graduated with a Diploma in Russian Linguistics and Teaching Russian for Foreigners from the Leningrad State University in 1987 and received his Master of Business Administration degree from the University of Toronto Faculty of Management in 1993.

### RAVI CHIDAMBARAM
***Lead Independent Director***

Ravi Chidambaram is our Lead Independent Director and was appointed to our Board on 28 June 2019.

He is currently the president of investment banking firm, TC Capital Pte. Ltd. Ravi Chidambaram started his career as a financial analyst in the investment banking division of Kidder, Peabody & Co. in 1986. In 1989, he left to join Commerzbank AG as a credit officer in the international division, sovereign risk unit until 1991. In 1993, Ravi Chidambaram was an associate in the corporate finance department of Goldman Sachs until 1996 when he joined Deutsche Bank as a director in the investment banking group. In 1998, he joined Credit Suisse Securities (Europe) Limited as a director in the European telecommunications investment banking group until 1999 when he became a managing director of Bear Stearns and was head of the European technology investment banking group. Ravi Chidambaram left Bear Stearns in 2001 and became the president of TC Capital Pte. Ltd. in 2002. Ravi Chidambaram graduated with a Bachelor of Arts in Political Economy from Duke University in 1985 and was a Fulbright Scholar in Political Science at Kiel University from 1985 to 1986. He obtained his Master of Business Administration and Master of Arts degrees at the Wharton School and the Lauder Institute of the University of Pennsylvania in 1993.

### TAN HAN BENG
*Independent Director*

Tan Han Beng is our Independent Director and was appointed to our Board on 28 June 2019.

He is currently a senior vice president of corporate finance at UOB Kay Hian Pte. Ltd. Tan Han Beng began his career in 1999 as an audit associate with PricewaterhouseCoopers LLP and was promoted to senior manager in the advisory division before he left in 2010 to join the SGX-ST as assistant vice president of the issuer regulation department. He subsequently joined CNP Compliance Pte Ltd in 2011 as a registered professional for continuing sponsorship before joining PPCF in 2014 as a registered professional for continuing sponsorship until the end of 2018. Tan Han Beng graduated with a Bachelor of Accountancy from Nanyang Technological University in 1999 and has been a member of the Institute of Singapore Chartered Accountants since 2013.

### EDWIN THAM SOONG MENG
*Independent Director*

Edwin Tham Soong Meng is our Independent Director and was appointed to our Board on 28 June 2019.

He is currently a consultant on English law and honorary partner at Danilov & Partners, as well as a general director of Kerensk Farm LLC, a property holding company. Edwin Tham Soong Meng joined Allen & Overy in 1997 as an associate where he was promoted to become the managing partner of the Moscow office and head of the global Russia practice group in 2011. He left Allen & Overy in 2015 before joining Danilov & Partners in the same year. Edwin Tham Soong Meng graduated with a Bachelor of Laws with Honours from the University of Nottingham in 1988 and is qualified as an English barrister-at-law and solicitor, Singapore advocate and solicitor and New York attorney.

## KEY MANAGEMENT PERSONNEL

### ARTUR NAZARYAN
*Chief Financial Officer*

Artur Nazaryan is our Chief Financial Officer and is responsible for the finance, accounting and taxation matters of our Group and has also been the Financial Advisor to Don Agro LLC since 2014. Artur Nazaryan began his career in 2004 as an accountant in the receivables department of Zaslon LLC, where his responsibilities included controlling accounts receivables ledgers and preparing presentations for potential customers. He moved to CJSC KPMG's audit department in 2007 as auditor and audit supervisor, where he supervised audit and financial consulting engagements and prepared financial models and financial statements. In 2013, he joined Guardian Glass Rostov LLC, a float glass production company, as head of finance and was in charge of all manner of finance, including taxation, reporting, cash flow and working capital management and the development of management accounting systems. In 2014, he became the chief financial officer of ProdAlliance Limited until 2018. Artur Nazaryan graduated with Specialist Diploma in Organisation Management from the Southern Federal University in 2008. He has also been a member of the Association of Chartered Certified Accountants (ACCA) since 2015.

### VADIM NOVIKOV
*Chief Operating Officer*

Vadim Novikov s our Chief Operating Officer and is responsible for overseeing the entire operations of our Group and has been the General Director of Tetra JSC and Don Agro JSC since 2012 and 2014, respectively. Vadim Novikov started his career in 2001 as a legal counsel at Law Firm JSC JurCon, a local Russian law firm specialising in advising corporate clients in the power and energy sectors. He moved to an investment company, JSC Rinaco, as a legal counsel in 2003, and provided legal support in corporate and share capital transactions. In 2005, he joined EMAlliance where he was legal counsel, head of corporate and deputy head of tax and legal. Thereafter, Vadim Novikov joined ProdAlliance Limited in 2013 as legal counsel providing legal support for its investment activities until 2018. Vadim Novikov obtained his Diploma with Honours in Law from the Ural State Law University (formerly known as Ural State Law Academy) in 2001.

# FINANCIAL REVIEW

## FINANCIAL PERFORMANCE REVIEW

REVENUE

The revenue increased by approximately S$11.0 million or 45.3%, from approximately S$24.4 million in FY2018 to approximately S$35.4 million in FY2019.

The revenue from sale of crop production increased by of approximately S$8.9 million, or 53,5% from S$ 16.7 million in FY2018 to S$ 25.7 million in FY 2019.

The increase of approximately S$ 8.9 million is due to:

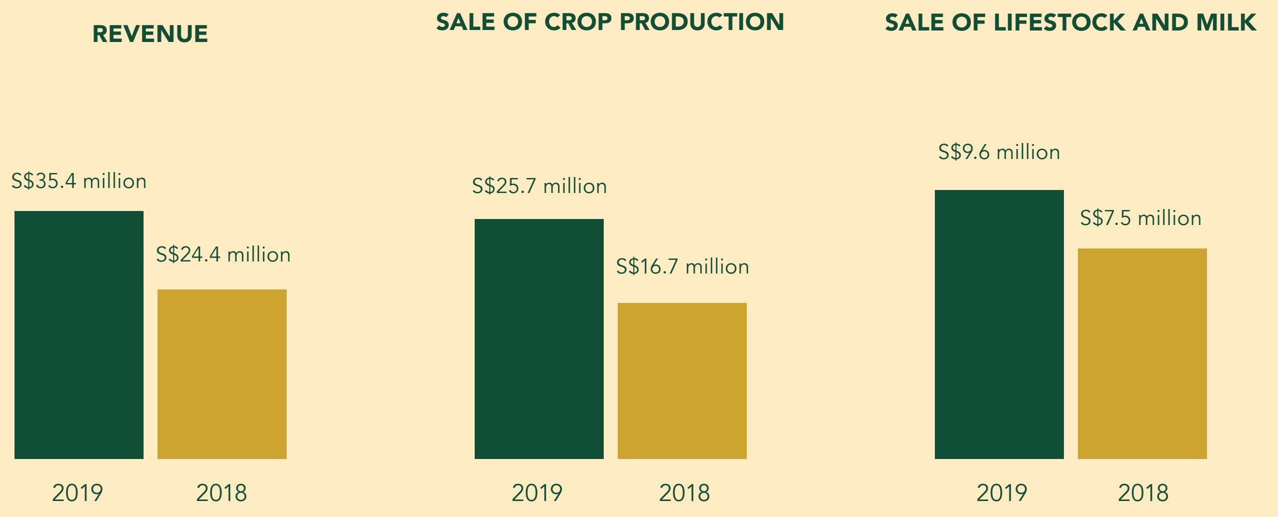
- Higher yield per hectare of land in FY2019;
- Higher market price for sunflower harvested in FY2019
- The sale in FY 2019 the stock of the sunflower harvested in FY2018 due to higher price than in FY2018;

The revenue from sale of livestock and milk increased by of approximately S$2.1 million , 29,1% from S$ 7.5 million in FY2018 to S$ 9.6 million in FY 2019.

The increase of approximately S$ 2.1 million is due to:

- Increase in the milk yield per cow from 17.1 litre to 18.5 litre; and
- Increase in price of raw milk from S$0.59 to S$0.62 per litre.






## COST OF SALES

The cost of sales increased by approximately S$11.3 million or 51.5% from approximately S$22.0 million in FY2018 to approximately S$33.3 million in FY2019. The increase in the cost of sales is mainly attributable to (i) an increase in biological assets sold of approximately S$10.6 million mainly due to an increase in higher volume in sale of sunflower harvested in FY2018 and sold in FY2019 and increase in sales of another agricultural produce due to increase in a crop yield; (ii) an increase in wages and salaries of approximately S$0.9 million mainly due to increase in the productivity wages per person in line with the higher crop yield in FY2019, on which wages and salaries are based, as well as the increase in piece wage-rates of field works from approximately 13% to 22% of the relevant crop yield or milk yield; and (iii) increase in depreciation of approximately S$0.5 million due to the depreciation of right-of-use asset under SFRS(I) 16 Lease applicable from 01.01.2019; and (iv) an increase in other expenses of approximately S$0.2 million due to repair costs arising from the repair of grain storage area and cow houses.

The increase is partially offset by (i) decrease in impairment loss of the inventories of approximately S$0.1 million due to effective management control under operations; (ii) a decrease in operating lease expenses of approximately S$0.8 million mainly due to application of SFRS(I) 16 and operating expenses which as at 01.01.2019 have been capitalised in the inventory and recognised in the cost of sales in FY2019.

## GAIN/(LOSS) FROM CHANGE IN FAIR VALUE OF BIOLOGICAL ASSETS AND AGRICULTURAL PRODUCE

The gain from change in fair value of biological assets and agricultural produce decreased by approximately S$0.2 million or 3.0% from a gain from change in fair value of approximately S$6.7 million in FY2018 to a gain from change in fair value of approximately S$6.5 million in FY2019. The decrease is mainly attributable to a decrease in the gain from change in fair value of crops of approximately S$1.0 million due to decrease in the agricultural produce's prices in line with world economic trend. The decrease was partly offset by a slight increase in the gain in fair value of livestock in FY2019 of approximately S$0.1 million mainly due to (i) an increase in the milk yield per cow per day from 17.1 litres to 18.5 litres and raw milk price increasing from S$0.59 per litre in FY2018 to S$0.62 per litre in FY2019, the effects of which is partially offset by the increase in herd management expenses due to higher volume of feed consumption, in accordance with protein diet of the main herd.

## GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit decreased by approximately S$0.5 million from approximately S$9.1 million in FY2018 to approximately S$8.6 million in FY2019. The decrease is mainly attributable to increase in the cost of sales of approximately S$11.3 million. This is partially offset by (i) an increase in revenue of approximately S$11.0 million; and (ii) a decrease in the gain from change in fair value of biological assets and agricultural produce of approximately S$0.2 million.

## ADMINISTRATIVE EXPENSES

Total administrative expenses increased by approximately S$0.8 million or 61.5% from approximately S$1.3 million in FY2018 to approximately S$2.1 million in FY2019. The increase is mainly attributable to (i) an increase in wages and salaries of approximately S$0.6 million due to hiring of new administrative personnel; and (ii) an increase in costs related to information, consulting and other professional services of approximately S$0.2 million as a result of fees incurred for the audit of the Group's financial statements for FY2019 due to statutory requirement.

## OTHER OPERATING INCOME/(EXPENSES), NET

The other operating expenses, net decreased by approximately S$0.7 million or 70.0% from approximately S$1.0 million in FY2018 to approximately S$0.3 million in FY2019. This decrease is mainly attributable to (i) the gain in the disposal of a land plot and compensation by the Russian Railways in accordance with Court decision of approximately S$0.6 million in FY2019 (please refer to page 220 to 221 of the Company's Offer Document for further details); (ii) absence of impairment loss in short-term investments in Volga-Agro LLC which was recognised in FY2018 of approximately S$0.2 million; and (iii) increase of approximately S$0.3 million in FY2019 due to reversal of withholding tax provision on interest payments in relation to promissory notes payable to Vallerd Investments Limited. This decrease in net other operating expenses was partly offset by increase in listing expenses of approximately S$0.4 million due to professional fees of Sponsor and other professionals.

## FINANCE INCOME

Our finance income remained approximately constant at approximately S$0.2 million for FY 2018 and FY 2019.

# FINANCIAL REVIEW

**FINANCE COSTS**

Finance costs increased by approximately S$0.4 million or 80.0% from S$0.5 million in FY2018 to S$0.9 million in FY2019. The increase is due to the accrual of the interest expenses of approximately S$0.6 million due to the application of SFRS(I) 16. This is partially offset by a decrease in interest expenses of approximately S$0.2 million as a result of the lower loans and borrowings.

**TAX EXPENSE**

Tax expenses increased by approximately S$0.2 million or 461.1% from approximately S$54,000 in FY2018 to approximately S$0.3 million in FY2019. Our effective income tax rate in FY2018 was approximately 0.8% and approximately 3.3% in FY2019. The increase in income tax rate was due mainly to (i) lower share of the Group's profits being generated from qualifying agriculture production which are not taxed; and (ii) withholding tax from Tetra's dividends paid to the Company of approximately S$0.1 million.

**BALANCE SHEET REVIEW**

NON-CURRENT ASSETS

**PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment comprise mainly properties, motor vehicles, computers, tool and equipment and furniture and fixtures. The Group's property, plant and equipment increased by approximately S$1.1 million or 10.2% from approximately S$10.8 million in FY2018 to approximately S$11.9 million in FY2019. This is attributable to the purchase of new machineries and buildings of approximately S$1.7 million in FY2019 as part of the Company's operations and the gain on movements in exchange rate of approximately S$1.0 million. This was partially offset by the accrual of the depreciation expense of approximately S$1.6 million.

**RIGHT-OF-USE ASSETS**

Right-of-use assets are represented the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments and number of items of agricultural machinery. In accordance with SFRS(I) 16, right-of-use assets are recognised from 1 January 2019.

**BIOLOGICAL ASSETS**

Non-current biological assets comprised mainly livestock and permanent grasses. Noncurrent biological assets as at 31 December 2019 as compared to 31 December 2018 increased by approximately S$2.0 million mainly due to the increase in fair value of our livestock due to higher milk yield per cow per day from 17.1 litres to 18.5 litres and milk price from S$0.59 per litre in FY2018 to S$0.62 per litre in FY2019 which was partially offset by increase in the management herd costs.



## CURRENT ASSETS

### BIOLOGICAL ASSETS

Current biological assets comprised mainly unharvested crops. Current biological assets increased by approximately S$1.1 million in FY2019, mainly due to increase in fair value of our crops as a result of higher harvest volume of winter wheat as crop yield rose and a larger area of cultivated land.

### INVENTORIES

Group's inventories decreased by approximately S$5.9 million or 47.6% from approximately S$12.4 million in FY2018 to approximately S$6.5 million in FY2019 as result of the sale of most of the agricultural produce.

### INVESTMENTS

Short term investments represents bank deposits placed with tenures not exceeding 3 months.
Investments increased by approximately S$3.2 million or 100.0% as at 31 December 2019, compared to none as at 31 December 2018, due to the Group depositing some of its cash into short-term bank deposits.

### TRADE AND OTHER RECEIVABLES

Trade and other receivables comprised mainly trade receivables from external parties, advances paid to suppliers, tax receivable and prepaid listing expenses. Trade and other receivables increased by approximately S$3.0 million or 428.6% from approximately S$0.7 million in FY2018 to approximately S$3.7 million in FY2019. This was mainly due to (i) increase in trade receivable from LLC AMILCO and LLC Grain Service which were paid after FY2019; (ii) increase in advance for supplier, FosAgro-Don LLC, for the purchase of the fertilisers for spring sowing; and (iii) increase in prepaid listing expenses due to increase in the listing expenses.

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise petty cash, bank balances and short-term bank deposits. Cash and cash equivalents increased by approximately S$3.3 million or 253,8% from approximately S$1.3 million in FY2018 to approximately S$4.6 million in FY2019. Please refer the section entitled «Cash flow analysis» below for further information.

## LOANS AND BORROWINGS

The borrowings mainly relate to the amount borrowed by our Group from banks and loans from third parties.

| S$'000 | As at 31 December 2019 | As at 31 December 2018 | Change (%) |
|---|---|---|---|
| **Non-Current** | 988 | 1,002 | (1.4) |
| **Current** | 4,679 | 5,877 | (20.4) |
| **Total** | 5,667 | 6,879 | (17,4) |

Our Group's borrowings decreased by approximately S$1.2 million or 17.4% from approximately S$6.9 million in FY2018 to approximately S$5.7 million in FY2019. This is mainly attributable to a repayment of bank borrowings of approximately S$7.6 million. This was partially offset by to an increase in new borrowings of approximately S$5.8 million by the Group.

## LEASE LIABILITIES

The lease liabilities mainly relate to the lease arrangements for agricultural equipment and land plots.

| | As at 31 December 2019 S$'000 | As at 31 December 2018 S$'000 | Change (%) |
|---|---|---|---|
| **Current** | 549 | 30 | 1.730 |
| **Non-current** | 4,425 | 128 | 3.357 |
| **Total** | 4.974 | 158 | 2,400 |

The group's lease liabilities increased by approximately S$4.8 million from approximately S$0.2 million as at 31 December 2018 to approximately S$5.0 million as at 31 December 2019. This is attributable to the application of SFRS(I) 16.



## TRADE AND OTHER PAYABLES

Trade and other payables comprised advances received from customers, taxes payables other than on income tax, accrued listing expenses and payables to employees.

The trade and other payables increased by approximately S$0.5 million or 41.7% from approximately S$1.2 million in FY2018 to approximately S$1.7 million in FY2019. The increase is mainly attributable to (i) increase in tax payables of approximately S$0.3 million due to increase in VAT payables as a result of increase in revenue in FY2019; and (ii) increase in accrued listing expenses of approximately S$0.3 million due to accrual of the completed professional services for IPO process. This was partially offset by a decrease in trade payables of approximately S$0.2 million as result the payment to suppliers.

## SHAREHOLDER'S EQUITY

Our equity increased by approximately S$8.1 million or 27.5% from approximately S$29.4 million in FY2018 to approximately S$37.5 million in FY2019. This is mainly attributable to (i) increase in share capital of approximately S$21.7 million due to merger of Tetra JSC into the share capital of the Company; (ii) decrease in foreign currency translation reserve of approximately S$3.2 million due to gain on movements in exchange rates; (iii) increase in accumulated profits of approximately S$5.2 million due to profit for FY2019 which was partly offset by the dividends paid by Tetra JSC to the Company of S$0.6 million; and (iv) increase in capital reserves of approximately S$0.3 million due to contribution from Vallerd Investments for payment of PPCF's professional fees. These were partly offset by decrease in capital reserves of approximately S$21.7 million due to recognition of the difference between cost of the share capital of Tetra JSC of S$14.0 million and consideration for the shares of Tetra JSC of S$35.7 million.

## CASH FLOW ANALYSIS

### NET CASH FLOWS USED IN OPERATING ACTIVITIES

Cash flows used in operating activities of S$10.0 million in FY2019 was mainly due to operating cash flow as the result of the revaluation of sunflower crops which were harvested in FY2018 and sold in 2019 in amount of S$9.0 million.

### NET CASH FLOWS USED IN INVESTING ACTIVITIES

Cash flows used in investing activities of S$3.9 million was mainly due to the deposit placed in the banks of S$3.1 million

### NET CASH FLOWS FROM FINANCING ACTIVITIES

Net cash used in financing activities amounted to approximately S$3.0 million, which was mainly attributable to (i) repayment of borrowings of approximately S$7.6 million in relation to the bank loans; (ii) interest paid of approximately S$0.4 million; (iii) dividends paid of approximately S$0.6 million; and (iv) repayment of lease liabilities of approximately S$0.1 million. This was partially offset by proceeds from borrowings of approximately S$5.7 million from the banks. As a result of the above, cash and cash equivalents increased by approximately S$3.3 million during FY2019. Cash and cash equivalents as at 31 December 2019 were S$4.6 million.

# CORPORATE INFORMATION

| | | |
|---|---|---|
| **BOARD OF DIRECTORS** | : | Evgeny Tugolukov (Executive Chairman)<br>Marat Devlet-Kildeyev (Chief Executive Officer and Executive Director)<br>Ravi Chidambaram (Lead Independent Director)<br>Tan Han Beng (Independent Director)<br>Edwin Tham Soong Meng (Independent Director) |
| **COMPANY SECRETARY** | : | Raymond Lam Kuo Wei (LL.B. (Hons) and Fellow, Chartered Secretaries Institute of Singapore) |
| **REGISTERED OFFICE** | : | 10 Collyer Quay #10-01<br>Ocean Financial Centre<br>Singapore 049315<br>Tel: (65) 6531 2266<br>Fax: (65) 6533 1542 |
| **PRINCIPAL PLACE OF BUSINESS** | : | 12 Sedova St.<br>City of Millerovo, Millerovskiy District<br>Rostov Region, 346130, Russia |
| **SHARE REGISTRAR AND SHARE TRANSFER AGENT** | : | Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.)<br>80 Robinson Road<br>#02-00<br>Singapore 068898 |
| **SPONSOR** | : | PrimePartners Corporate Finance Pte. Ltd.<br>16 Collyer Quay<br>#10-00 Income at Raffles<br>Singapore 049318 |
| **AUDITORS** | : | KPMG LLP<br>Public Accountants and Chartered Accountants<br>16 Raffles Quay<br>#22-00 Hong Leong Building<br>Singapore 048581<br>Partner-in-charge: Lim Pang Yew, Victor<br>(a member of the Institute of Singapore Chartered Accountants)<br>Appointed in the financial year ended 31 December 2019. |
| **PRINCIPAL BANKERS** | : | Rosselkhozbank JSC<br>Mikhaila Nagibina Street, 14A,<br>Rostov-on-Don 344038, Russia<br>Sberbank of Russia PJSC<br>41, Bratskiy Pereulok,<br>Rostov-on-Don 344082, Russia |

The board of directors (the "Board") of Don Agro International Limited (the "Company" and together with its subsidiaries, the "Group") is committed to maintaining high standards of corporate governance and transparency within the Company and the Group by complying with the principles and guidelines as set out in the Code of Corporate Governance 2018 (the "Code").

This report outlines the Company's corporate governance practices that were in place during the financial year ended 31 December 2019 ("FY2019"), with specific reference made to the principles of the Code.

For FY2019, the Company has complied with the principles of the Code and provisions as set out in the Code and the practice guidance issued by the Monetary Authority of Singapore on 6 August 2018 (the "Guide"), where applicable. Appropriate explanations have been provided in the relevant sections below where there are deviations from the provisions of the Code and the Guide.

**BOARD MATTERS**

**BOARD'S CONDUCT OF ITS AFFAIRS**

*Principle 1: The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.*

The Board of Directors is entrusted with the responsibility for the overall management of the Group. The Board works with management to achieve this objective and management remains accountable to the Board. The Directors recognise the importance of corporate governance and the offering of high standards of accountability to the shareholders, and use best efforts to implement the good practices recommended in the Code.

Every Director is required to declare any conflict of interest in any discussions, transactions or proposed transactions with the Company after all relevant facts have come to his knowledge. Directors facing conflicts of interest recuse themselves from discussions involving the issues of conflict. Annually, each Director is required to submit details of his associates for the purpose of monitoring interested person transactions.

The principal functions of the Board are:

- Set strategic objectives and business plans of the Group;
- Approval of investment and divestment proposals, mergers and acquisitions and disposals of assets;
- Review and approve the appointment/re-appointments of Directors proposed by the Nominating Committee;
- Appointment or removal of the Company Secretary;
- Appointment and re-appointment of internal and external auditors and key management personnel;
- Assume the responsibility for Corporate governance of the Group;
- Review and monitor the performance of the Management;
- Announcement of half-year and full-year results, annual reports;
- Declaration of interim dividends and proposal of final dividends for shareholders' approval; and
- Monitoring Company's risk of becoming subject to sanctions; and ensuring timely and accurate disclosures to SGX-ST and the relevant authorities should any enquiries be made regarding Group's dealings with Sanctioned Subject

Every Director is expected, in the course of carrying out his duties, to act in good faith to provide insights and objectively take decisions in the interest of the Company. Any director facing a conflict of interests will recuse himself from discussions involving the issue of conflict.

The approval of the Board is required for matters such as corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisitions and disposals of assets, major corporate policies on key areas of operations, major corporate actions such as share issuance, the release of the Group's half-year and full-year results, declaration of dividends and interested persons transactions.

The Board also monitors and evaluates the Group's operations and financial performance, sets targets and goals, works with and monitors the Management in achieving such targets and goals.

The Board of Directors has formed three (3) committees, namely the Audit Committee (the "AC"), the Remuneration Committee (the "RC") and the Nominating Committee (the "NC"). The terms of reference of the respective Board Committees, which are reviewed by the Board on a regular basis, as well as other relevant information on the Board Committees can be found in the subsequent sections of this report.

The Board accepts that while the Board Committees have the authority to examine particular issues and will report back to the Board with their decisions and recommendations, the ultimate responsibility for the final decision on all matters lies with the entire Board.

The Board meets regularly and ad-hoc meetings are convened as warranted by particular circumstances as deemed appropriate by the Board members.

The Company's Constitution provides for meetings of directors to be held by means of telephone conference or similar communications equipment.

The Company was listed on 14 February 2020 after its FY2019. There were no Board and Board Committees meetings held in FY2019.

All directors are expected, in the course of carrying out their duties, to act in good faith to provide insights and objectively take decisions in the interest of the Group.

Management provides the Board with information for its meetings and decision making, including board papers and supporting information. In respect of budgets, any material variance between the projections and actual results should also be disclosed and explained.

Newly appointed directors will be given briefings by the management on the business activities and strategic direction of the Group. There are also induction or orientation programmes to familiarize them with the Group's operations. They will also be provided with a formal letter setting out their duties and obligations. Where appropriate and for first-time directors with no prior experience as a director of a listed company in Singapore, the Company will also arrange for them to attend training courses organised by the Singapore Institute of Directors or other professional training institutions as appropriate so as to equip them to discharge their duties effectively.

As part of training for the Board, directors are briefed either during Board and Board Committee meetings or at specially convened sessions on changes to regulations and accounting standards, as well as industry related matters. All directors are encouraged to keep themselves updated on changes to the financial, legal and regulatory requirements or framework and the business environment.

The Directors are also encouraged to keep themselves abreast of the latest developments relevant to the Group and attendance of appropriate courses and seminars will be arranged and funded by the Company.

Tan Han Beng, Edwin Tham Soong Meng, Ravi Chidambaram were appointed as independent directors by the Board of Directors on 28 June 2019. Tan Han Beng has prior experience as a director of a public listed company in Singapore and is therefore familiar with the roles and responsibilities of a director of a public listed company in Singapore. As such, the NC is of the view that training as prescribed by the Exchange is not required for Tan Han Beng.

In compliance with Practice Note 4D of the Catalist Rules, Evgeny Tugolukov, Marat Devlet-Kildeyev, Ravi Chidambaram and Edwin Tham Soong Meng will, by the end of the first year of  Company's listing on Catalist, attend the relevant prescribed mandatory training at the Singapore Institute of Directors to familiarise themselves with the roles and responsibilities of a director of a public listed company in Singapore.

Directors have separate and independent access to Management, the company secretary, and external advisers (where necessary) at the Company's expense.

The role of the Company Secretary is clearly defined and includes the responsibility for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary or her nominee attends all Board meetings and AC, NC, RC meetings. Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flows within the Board and the respective Board Committees and between management and Non-Executive Directors, as well as facilitating orientation and assisting with professional development as required. The appointment or the removal of the Company Secretary is subject to the Board's approval.

Save for the interested person transactions as disclosed in page 170 to 172 in the Offer Document, none of our Directors, Controlling Shareholders or any of their Associates has an interest, direct or indirect:

(a) in any transaction to which our Group was or is to be a party;

(b) in any entity carrying on the same business or dealing in similar services which competes materially and directly with the existing business of our Group; and

(c) in any enterprise or company that is our Group's customer or supplier of goods and services.

**BOARD COMPOSITION AND GUIDANCE**

*Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.*

As at the date of this report, the Board comprises Five (5) Directors, three (3) of whom are Independent Non-Executive Directors:

| Name | Position |
|---|---|
| Evgeny Tugolukov | Executive Chairman |
| Marat Devlet-Kildeyev | Chief Executive Officer (the "CEO") and Executive Director |
| Ravi Chidambaram | Lead Independent Director, Chairman NC |
| Tan Han Beng | Independent Director, Chairman AC |
| Edwin Tham Soong Meng | Independent Director, Chairman RC |

As the Chairman of the Board and the CEO of the Group are part of the management, majority of the Board is made up of independent non-executive Directors.

There is presently a strong and independent element on the Board with Independent Directors constituting majority of the Board. The Board considers an Independent Director as one who has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment of the Group's affairs.

None of the Independent Directors have been employed by the Company or any of its related corporations for the current or any of the past three financial years, and none of the Independent Directors have an immediate family member who is employed or has been employed by the Company or any of its related corporations for the past three financial years, and whose remuneration is determined by the RC.

None of the Directors are related to each other, our Executive Officers or our Substantial Shareholders.

The Independent Directors do not have any existing business or professional relationship of a material nature with the Group, the other Directors or the Company's substantial shareholders. None of the Independent Directors sit on the board of our subsidiaries.

The Independent Directors are respected individuals from different backgrounds whose core competencies, qualifications, skills and experience are extensive and complementary. The Board comprises individuals who have experience in accounting, finance, business, management, industry knowledge and strategic planning experience. The NC is of the view that the current Board comprises persons who as a group provide capabilities required for the Board to be effective. Where appropriate, the Independent Directors meets periodically with each other without the presence of the Executive Directors to discuss concerns or matters touching on the management and finances of the Company and provides feedback to the Board and/or Chairman of the Board, as appropriate, after such meetings. Independent Directors fulfil a pivotal role in corporate accountability. Their presence is particularly important as they provide unbiased and independent views, advice and judgement to take care of the interests, not only of the Company but also of the shareholders, employees, customers, suppliers and the many communities with which the Company conducts business with.

The Company was listed on 14 February 2020 after its FY2019. Hence, there were no meetings held by the AC, NC or RC in FY2019.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

*Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.*

Evgeny Tugolukov is our Executive Chairman. He was appointed to our Board on 28 November 2018 and is responsible for setting and executing the strategic directions and expansion plans for the growth and development of our Group.

Marat Devlet-Kildeyev is our CEO. He was appointed to our Board on 28 November 2018. As CEO, he is responsible for directing and controlling the operations of the Group and its key operational subsidiaries.

The roles of the Chairman and the CEO are separated to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The Chairman is not related to the CEO.

The clear separation of roles of the CEO provides a healthy professional relationship between the Board and Management with clarity of roles and robust deliberations on the business activities of the Group.

As the Executive Chairman is part of the Management and therefore not independent, Mr Ravi Chidambaram has been appointed as the Lead Independent Director, as recommended by the Code, as the principal liaison on Board issues between the Independent Directors and the Chairman and CEO. The responsibilities of the Lead Independent Director include:

- Acting as the principal liaison to address shareholders' and other stakeholders' concerns for which contact through the normal channels of communication with the Executive Chairman or CEO are inappropriate or failed to resolve the concerns in question;

- Chairing Board meetings in the absence of the Executive Chairman;

- Working with the Executive Chairman in leading the Board; and

- Providing a channel to Independent Directors for confidential discussions on any concerns they may have and to resolve conflicts of interest, as and when necessary.

Mr Ravi can be contacted via the following electronic mail address: ravi@tccapital.com.

**BOARD MEMBERSHIP**

*Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.*

**Nominating Committee**

The NC comprises three (3) Independent directors (including the Lead Independent Director), namely Ravi Chidambaram (Chairman), Tan Han Beng and Edwin Tham Soong Meng.

The NC is responsible for:

(a) reviewing and recommending the nomination or re-nomination of our Directors having regard to each Director's contribution and performance;

(b) reviewing succession plans for our Directors, in particular the appointment and/or replacement of the Chairman of our Board, our CEO and key management personnel;

(c) determining on an annual basis whether or not a Director is independent;

(d) deciding whether or not a Director is able to and has been adequately carrying out his duties as a director;

(e) reviewing training and professional development programmes for our Board and our Directors;

(f) reviewing and approving any new employment of related persons and the proposed terms of their employment; and

(g) undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

The NC also decides how the performance of the Board, the Board Committees and the individual Directors is to be evaluated and propose objective performance criteria, subject to the approval of our Board, which address how the Board has enhanced long-term shareholders' value and how individual Directors have contributed to the effectiveness of the Board. The Board has also implemented a process to be carried out by the NC for assessing the effectiveness of our Board as a whole, and for each Board Committee separately, and for assessing the contribution of each individual Director to the effectiveness of our Board. Each member of our NC does not take part in determining his own re-nomination or independence and shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as a Director. In the event that any member of the NC has an interest in a matter being deliberated upon by the NC, he abstains from participating in the review and approval process relating to that matter.

Since the Company's listing on the Catalist of the SGX-ST in February 2020, there had been no appointment of any new Directors.

In the event that a vacancy on the Board arises, the NC may identify suitable candidates for appointment as new director through the business networks of the Board. The NC may consider using third party search firms to identify a broader range of suitable candidates when vacancies in the Board arise in the future.

The NC will assess suitable candidates for appointment to the Board based on the requisite qualification, expertise and experience, will determine of the candidate's independence; and recommend the most suitable candidate to the Board for appointment as director.

The considerations in assessing the capacity of Directors include the following:

- Expected and/or competing time commitments of Directors, including whether such commitment is a full-time or part-time employment capacity;

- Geographical location of Directors;

- Size and composition of the Board;

- Nature and scope of the Group's operations and size; and

- Capacity, complexity and expectations of the other listed directorships and principle commitments held.

The Company's Constitution states that at each AGM, one-third (or if their number is not three or a multiple of three, the number nearest to but not less than one-third) of the Directors for the time being, shall retire from office and that all Directors shall retire from office at least once in every three (3) years and such retiring Directors shall be eligible for re-election. Each member of the NC has abstained from voting on any resolutions in respect of the assessment of his performance or re-nomination as Director.

The NC assesses and recommends to the Board whether retiring directors are suitable for re-election.

The NC, in considering the re-appointment of a director, evaluates such director's contributions in terms of experience, business perspective and attendance at meetings of the Board and/or Board Committees and pro-activeness of participation in meetings.

The NC recommended that both Independent Directors, Mr Edwin Tham Soong Meng and Mr Tan Han Beng be put forward for re-election at the forthcoming Annual General Meeting ("AGM"). The Board accepted the recommendation and being eligible, both Mr Tham and Mr Tan, will be offering themselves for re-election in the forthcoming AGM. The details of the Directors seeking for re-election as required under Rule 720(5) of the Catalist Rules are set out in the "Additional Information on Directors Seeking Re-election" section of the Annual Report 2019.

The Board, with the concurrence of the NC, has also considered Ravi Chidambaram, Tan Han Beng and Edwin Tham Soong Meng to be independent for the purposes of Rule 704(7) of the Catalist Rules.

Information on Mr Edwin Tham Soong Meng and Mr Tan Han Beng as required in Appendix 7F of the Catalist Rules are set out on page 95 of this Annual Report.

The academic and professional qualifications and the information on shareholdings in the Company held by each director are set out in the "Board of Directors" and "Directors' Statement" sections of this annual report respectively.

The NC conducts an annual review of each director's independence and takes into consideration the Provision 2.1 of the Code as well as the relevant Catalist Rules. The NC has ascertained that all Independent and Non-Executive Directors are considered independent. They signed the independent confirmation for FY2019.

Currently, there is no alternate director on the Board.

# CORPORATE GOVERNANCE REPORT

Key information regarding the Directors is set out below:

| Name of the director | Date of first appointment | Date of last re-election | Date of next re-election | Directorship or Chairmanship both present and held over the preceding three (3) years in other listed companies | | Other Principal Commitments |
|---|---|---|---|---|---|---|
| | | | | Present | Past Three Years | |
| Tan Han Beng | 28.06.2019 | 29.08.2019 | At the upcoming AGM of the Company | 1) Challenger Technologies Limited (Director)<br>2) Old Chang Kee Ltd-Director | Kitchen Culture Holdings Ltd (Director) | UOB Kay Hian Pte Ltd – Senior Vice President, Corporate Finance |
| Edwin Tham Soong Meng | 28.06.2019 | 29.08.2019 | At the upcoming AGM of the Company | None | None | 1) LLC Kerensk Farm-Director and minority participant (holding a 49% interest in the the charter capital)<br>2) Danilov&Partners-Partner |
| Evgeny Tugolukov | 28.11.2018 | 29.08.2019 | NA | None | None | 1) Managing Director in Strongbow Investments Pte Ltd;<br>2) Non-Executive Director in DDD-Diagnostic, A/S;<br>3) Non-Executive Director in Dubultu Krasts, SIA;<br>4) Non-Executive Director in MedScan, Limited Liability Company;<br>5) Non-Executive Director in Asian American Medical Group Limited;<br>6) Non-Executive Director in Clinical Hospital on Yauza, Limited Liability Company |
| Marat Devlet-Kildeyev | 28.11.2018 | 29.08.2019 | NA | None | None | 1) Non-Executive Director in Dubultu Krasts, SIA;<br>2) Executive Director in Nukleārās medicīnas centrs, SIA;<br>3) Executive Director in Rīgas Nukleārās Medicīnas Laboratorija, SIA |
| Ravi Chidambaram | 28.06.2019 | 29.08.2019 | NA | None | None | TC Capital Pte. Ltd. – President |

Mr Tham will, upon re-election as a Director, will remain as an Independent Director, Chairman of the RC and a member of the AC and RC pursuant to Rule 704(7) of the Catalist Rules of the SGX-ST.

Mr Tan will, upon re-election as a Director, will remain as an Independent Director, Chairman of the AC and a member of the NC and RC pursuant to Rule 704(7) of the Catalist Rules of the SGX-ST.

**BOARD PERFOMANCE**

*Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.*

The NC decides how the Board's performance is to be evaluated and proposes objective performance criteria, subject to the Board's approval, which address how the Directors have enhanced long-term shareholders' value.

The assessment of the Board, Board Committees and the Directors are to be carried out once every financial year. Each member of the NC is required to abstain from voting on any resolution in respect of the assessment of his or her performance or re-nomination as a Director. The evaluation of Board's and Board Committees' performance shall consider matters on Board composition, information to the Board, Board procedures and Board accountability. The evaluation of individual Director shall consider matters on attendance at meetings, Directors' duties and know-how and interaction with fellow Directors.

As the Company was listed on SGX-ST on 14 February 2020, it is currently in the process of developing the aforesaid board assessment questionnaire and the Board will implement a formal annual process for assessing the effectiveness of the Board as a whole, each of the Board Committees and each individual Director to the effectiveness of the Board, for the financial year ending 31 December 2020 ("FY2020"). The questionnaire, when ready, will be completed individually by each Director.

The Directors will complete the board assessment questionnaire and the results will be collated by the Company Secretary and the summary of the assessment will be presented to the Chairman of the Board and the NC for review and collective discussion with other Board members to address or recommend any areas for improvement and follow-up actions. The appraisal process will focus on a set of performance criteria for the Board, Board Committees and individual Directors' assessment which includes the evaluation of the size and composition of the Board, the Board's access to information, the Board processes and accountability, Board performance in relation to discharging its principal responsibilities, communication with Key Management Personnel and the Directors' standards of conduct.

NC would then make recommendations to the Board aimed at helping the Board to discharge its duties effectively. The Chairman of the Board will act on the results of the performance evaluation and the recommendation of the NC, and where appropriate, in consultation with the NC, new members may be appointed or resignation of directors may be sought. The NC has full authority to engage external facilitator to assist the NC to carry out the evaluation process, if the need arises.

No external facilitator had been engaged by the Board in FY2019 for evaluation process..

**REMUNERATION MATTERS**

**PROCEDURES FOR DEVELOPING REMUNERATION POLICIES**

*Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.*

The RC comprises three (3) Independent Directors (including the Lead Independent Director), namely Edwin Tham Soong Meng (Chairman), Ravi Chidambaram and Tan Han Beng. The RC was formed to recommend to the Board a framework of remuneration for our Directors and key management personnel, and determine specific remuneration packages for each Director and key management personnel. The recommendations of RC should be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, the options to be issued under the Don Agro Employee Share Option Scheme and other benefits-in-kind shall be covered by our RC. RC reviews the remuneration packages of Directors and key management personnel to ensure that said packages, including termination terms, are fair.

In addition, our RC will perform an annual review of the remuneration of employees related to our Directors and/ or substantial shareholders of the Company to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. They will also review and approve any bonuses, pay increases and/or promotions for these employees. Each member of our RC shall abstain from voting on any resolutions in respect of his remuneration package or that of employees related to him.

No remuneration consultants were engaged by the Company in FY2019.

**LEVEL AND MIX OF REMUNERATION**

*Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.*

The Company has entered into respective Service Agreements with our Executive Chairman, Evgeny Tugolukov, and our CEO, Marat Develet-Kildeyev, Chief Financial Officer ("CFO"), Artur Nazaryan and our Chief Operating Officer ("COO"), Vadim Novikov (each an "Appointee").

The Service Agreements are valid for an initial period of three (3) years with effect from the date of admission of the Company to Catalist ("Initial Term"), being 14 February 2020. Upon the expiry of the Initial Term, the employment of the Appointees shall be automatically renewed on a year-on-year basis on such terms and conditions as the parties may agree unless terminated in accordance with the respective Service Agreements.

Each Appointee's remuneration and annual fixed bonus shall be subject to annual review by the RC after the accounts of our Group for the immediate preceding financial year have been audited, in light of their performance and prevailing economic conditions. The Service Agreements provided for, inter alia, the salary payable to the Appointees, annual leave, medical benefits, grounds of termination and certain restrictive covenants (including non-compete obligations).

The Executive Chairman and the CEO and CFO may terminate their respective Service Agreements at any time by giving to our Company not less than six (6) months' notice in writing, or in lieu of notice, payment of an amount equivalent to six (6) months' salary based on their respective last drawn monthly salary; while the COO may terminate his Service Agreement at any time by giving to our Company not less than three (3) months' notice in writing, or in lieu of notice, payment of an amount equivalent to three (3) months' salary based on his last drawn monthly salary. The parties may by mutual agreement waive or vary the notice requirement.

The Independent Directors do not have service agreements with the Company. They are paid fixed directors' fees, which are determined by the Board appropriate to the level of their contributions, taking into account factors such as the effort and time spent and the responsibilities of each Independent Director.

The Directors' fees are proposed by the RC and recommended by the Board for shareholders' approval at a general meeting of the Company. Directors' fees of S$51,000 for FY2019 had been approved at a shareholders' meeting held on 4 February 2020.

**DISCLOSURE ON REMUNERATION**

*Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.*

The remuneration (including salary, bonus, contributions to CPF, directors' fees, allowances and benefits-in-kind) paid during FY2019 are set out in the following remuneration bands[1].

[1] Remuneration bands:
Band A" refers to remuneration of up to S$250,000
Band B" refers to remuneration between S$250,001 and S$500,000

| | FY 2019 |
|---|---|
| **Directors** | |
| Evgeny Tugolukov | There was no remuneration in FY 2019 |
| Marat Devlet-Kildeyev | Band B |
| Ravi Chidambaram | Band A |
| Tan Han Beng | Band A |
| Edwin Tham Soong Meng | Band A |
| **Key management personnel** | |
| Artur Nazaryan | Band A |
| Vadim Novikov | Band A |

The breakdown for the remuneration of the Directors in FY2019 was as follows:

Director's Remuneration

| Name | Salary (%) | Bonus (%) | Directors' Fees (%) | Benefits-in-kind (%) | Total (%) |
|---|---|---|---|---|---|
| **Between S$250,001 to S$500,000** | | | | | |
| Evgeny Tugolukov | - | - | - | - | - |
| Marat Devlet-Kildeyev | 100 | - | - | - | - |
| **Below S$250,000** | | | | | |
| Ravi Chidambaram | - | - | 100 | - | - |
| Tan Han Beng | - | - | 100 | - | - |
| Edwin Tham Soong Meng | - | - | 100 | - | - |

The Company believes that it should not disclose the remuneration paid to each of the Independent Directors, Executive Directors and key management personnel in absolute amount due to the highly competitive market and in the interest of maintaining good morale and building team work within the Group.

There were no termination, retirement and post-employment benefits granted to Directors and key management personnel in FY2019.

The breakdown for the remuneration of the Company's key management personnel (who are not Directors or the CEO) in FY2019 was as follows:

| Name | Salary (%) | Bonus (%) | Directors' Fees (%) | Benefits-in-kind (%) | Total (%) |
|---|---|---|---|---|---|
| **Below S$250,000** | | | | | |
| Artur Nazaryan | 100 | - | - | - | - |
| Vadim Novikov | 100 | - | - | - | - |

The total remuneration paid to the key management personnel in FY2019 was S$170,374.

Remuneration to be paid for FY2019 does not take into account any discretionary bonus due to Executive Directors and our key management personnel. As discussed under Principle 7 of this Corporate Governance Report, the terms of employment as set out in the Service Agreements with the Executive Directors and key management personnel shall commence with effect from the date on which the Company is admitted to the Catalist (the "Commencement Date") and shall continue for a period of three (3) years thereafter (the "Initial Term"). The payment of discretionary bonus is the one of the terms of the Service Agreements which is valid from 14 February 2020. Therefore, the discretionary bonus was not accrued in FY2019.

There were no employees who are substantial shareholders of the Company, or are immediate family members of a Director, the CEO or a substantial shareholder.

Further details on the Don Agro Employee Option Scheme can be found in the "Director's statement" section of this Annual Report.

## ACCOUNTABILITY AND AUDIT

### RISK MANAGEMENT AND INTERNAL CONTROLS

*Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders*

The Board believes in the importance of maintaining the system of risk management and internal controls to safeguard the interests of the shareholders and the Group's assets.

The Company does not have a Risk Management Committee. The Board is responsible for the overall risk management and internal control framework. In addition, the Executive Directors and the management regularly review the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The management reviews significant control policies and procedures, and highlights the significant matters to the Board and the AC.

The Company is committed to conducting business in full compliance with all applicable laws and regulations related to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including but not limited to those adopted, administered and enforced by the Government of the United States, the European Union and its member states, the United Nations Security Council, the Government of Australia and the Government of Singapore ("International Sanctions"), to the extent they apply to the activities of the Group.

In order to protect the interests of our Group and to reduce the risk of our Group infringing any International Sanctions Laws, our Group has adopted a sanctions compliance policy ("Sanctions Compliance Policy") which sets out enhanced internal control and risk management measures to help our Group monitor and evaluate our business and take measures to protect the interests of our Group from any material risk relating to International Sanctions Laws.

This Policy (including the Sanctions Risk Rating Policy) was reviewed by Hogan Lovells, our current External Sanctions Counsel, and the Board. This Policy should be disseminated throughout our domestic operations and overseas offices and branches.

The Policy (including the Sanctions Risk Rating Policy) shall be reviewed by our External Sanctions Counsel on an annual basis to ensure that they are adequate and effective, while our internal auditor will conduct an annual review to ensure that the Policy (including the Sanctions Risk Rating Policy) is being complied with by the Group.

The Group has appointed BDO as its internal auditor for FY2020. BDO will conduct the following internal audit procedures in relation to sanction policy compliance:

- Know –Your-Client and Screening Resolution;
- Enhanced Due Diligence; and
- World-check.

The AC will have the ultimate responsibility for assuring that the Group complies at all time with International Sanctions laws and regulations.

Our Company's CEO and COO will be responsible for, among other things, monitoring our exposure to sanctions risks and our implementation of the related internal control procedures, and will report to our AC in relation there to.

As actual data the Group use the Dow Jones database for sanction's screening of the new counterparties : the suppliers, the customers and other counterparties . As result of this screening we have not found the new sanctioned companies.

Our AC will hold at least two (2) meetings each year to monitor our exposure to sanctions risks. Our Company's CEO and/or COO should be familiar with International Sanctions and be able to identify issues, risks and prohibited activities in relation to International Sanctions.

Our current External Sanctions Counsel made the conclusion in the sanction's memorandum that:

(i) the Group's activities during the financial years ended 31 December 2016, 2017, 2018 and 2019 do not appear to violate or implicate any breaches of the restrictions under International Sanctions;

(ii) the Group's activity do not constitute any activity that is subject to and in violation of any sanction law or regulation which is imposed by a relevant jurisdiction (being any jurisdiction that is relevant to the Group or which the Group would otherwise have any nexus with, and has sanction laws or regulations) and applicable to the Group.

(iii) the Group's dealings with any of the parties that may be deemed to be Sanctioned Subjects within the meaning of the SGX Conditions do not violate any International Sanctions laws and regulations.

Our Board, with the concurrence of the AC, are of the opinion that the Group has adequate and effective internal controls (including financial, operational, compliance and information technology controls) and risk management systems together with sanctions risks management were adequate and effective in FY2019.

The Board has received assurance from the CEO and CFO in respect of FY2019 that:

a. the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and

b. the Company's risk management and internal controls system are adequate and effective.

The Board has also relied on the independent auditors' report as set out in this annual report as assurance that the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances.

**AUDIT COMMITTEE**

*Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.*

The AC comprises three (3) Independent Directors (including the Lead Independent Director), namely Tan Han Beng (Chairman), Ravi Chidambaram and Edwin Tham Soong Meng.

The members of the AC are appropriately qualified to discharge their responsibilities and have relevant accounting and related financial management experience and expertise. None of the AC members were previous partners or directors of the Company's external auditor, KPMG LLP, within the last two years or hold any financial interest in the external auditor.

AC performs the following functions:

(a) review the relevance and consistency of the accounting standards, the significant financial reporting issues, recommendations and judgements made by the external auditors so as to ensure the integrity of the financial statements of our Group and any announcements relating to our Group's financial performance;

(b) review and report to Board at least annually the adequacy and effectiveness of our Group's internal controls, including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties), and risk management systems;

(c) review the assurance from the CEO and the CFO on the financial records and financial statements;

(d) review the adequacy, effectiveness, independence, scope and results of the external audit and our Group's internal audit function;

(e) make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and on the remuneration and terms of engagement of the external auditors;

(f) review the system of internal controls and management of financial risks with our internal and external auditors;

(g) review the co-operation given by our management to external auditors and internal auditors, where applicable;

(h) review the Group's compliance with such functions and duties as may be required under the relevant statutes or the Listing Manual, including such amendments made thereto from time to time;

(i) review and approve interested person transactions and review procedures thereof;

(j) review potential conflicts of interest (if any) and to set out a framework to resolve or mitigate any potential conflicts of interests;

(k) review risk management framework, with a view to providing an independent oversight on Group's financial reporting, the outcome of such review to be disclosed in the annual reports or, where the findings are material, announced immediately via SGXNET;

(l) investigate any matters within its terms of reference;

(m) review the policy and arrangements concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on;

(n) review the adequacy of and approve procedures put in place related to our Group's policy for entering into any future hedging transactions;

(o) review the sanctions-related risks of our Group including transactions and business dealings with our customers, suppliers and bankers and assess whether there is a need to obtain independent legal advice and/or appoint a compliance adviser with respect to the applicable sanctions risks faced by our Group;

(p) monitor the Group's measures and procedures to manage sanctions-related risks and review the Sanctions Compliance Policy and the adequacy of safeguards in relation to potential sanctions-related risks to the Group;

(q) review the utilisation of funds (including any material deviation from such utilisation) raised from the Placement and any secondary fund-raising post-Listing to ensure that they are solely for the purposes disclosed in the listing document and to the SGX, and not to benefit any Sanctioned Subject;

(r) provide their views (which will be stated in our annual report) on whether they concur with our Board's comment on whether the Company has adequate and effective internal controls (including internal controls related to cash flows) and risk management systems to safeguard the interests of the Group and the shareholders, in particular with respect to sanctions risks;

(s) continuously monitor the written undertakings which our Group has provided to SGX-ST and ensure timely and accurate disclosures to SGX-ST and the relevant authorities should any enquiries be made regarding our Group's dealings with Sanctioned Subjects; and

(t) undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

Apart from the duties listed above, AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or suspected infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on Group's operating results and/or financial position. In the event that a member of our AC is interested in any matter being considered by AC, he will abstain from reviewing and deliberating on that particular transaction or voting on that particular resolution.

The AC reviews the independence of the External Auditors annually. The AC received an audit report from the external auditors setting out the non-audit services provided and the fees charged for FY2019.

KPMG LLP is registered with the Accounting and Corporate Regulatory Authority of Singapore. During FY2019, the aggregate amount of fees paid or payable to the External Auditors for the audit and non-audit services amounted to S$550,120 and S$37,294 respectively.

For the purposes of good governance and Rule 1204(6)(b) of the Catalist Rules, the AC has undertaken a review of the fees and expenses payable to the External Auditors for all non-audit services in FY2019.

The non-audit services performed by the External Auditors for FY2019 relate to preparation of template for change of presentation currency from RUB to SGD and review of taxation notes for the Group. These advisory services which are not services prohibited by the Catalist Rules and in the AC's opinion would not affect the objectivity and independence of the External Auditors.

KPMG LLP is suitable for re-appointment and the AC has accordingly recommended to the Board that KPMG LLP be nominated for re-appointment as external auditors of the Company at the forthcoming AGM.

For FY2019, the Company confirms that it is in compliance with Rules 712 and 715 of the Catalist Rules in relation to the appointment of audit firms for the Group. In FY 2019 the auditor of Don Agro LLC, Don Agro JSC, Rassvet JSC and Selkhoztekhnika JSC was LLC audit firm "Audit-Vela". LLC "Marus" was appointed as auditor of Tetra JSC in FY 2019. No former partner or director of the Company's existing auditing firm has acted as a member of the AC.

The AC, in consultation with the management, approves the hiring, removal, evaluation and compensation of the internal auditors.

As disclosed in the Offer Document, based on the internal controls established and maintained by our Group, work performed by the internal and external auditors, and reviews performed by the management and the Board, the Board, with the concurrence of AC, is of the view that our internal control and risk management systems are adequate and effective to address financial, operational, compliance and information technology controls risks.

For FY2020, the Company shall outsource its internal audit function to BDO ("Internal Auditors"). The Internal Auditors is a member of the Institute of Internal Auditors Singapore ("IIA"). The internal audit work to be carried out is guided by the International Standards for Professional Practice of Internal Auditing (IIA Standards) laid down in the International Professional Practices Framework issued by the IIA.

The internal audit plan was approved in the agreement by the Management and reviewed by the AC.

From FY2020 the Internal Auditors will perform:

- Sanction compliance review;
- Review of the inventory management;
- Evaluation of the general controls and financial reporting;
- Audit procedures in relation to cash and bank management, revenue and receivables, human resources and payroll managements, procurements and payments, production, capital expenditure management, IT General controls.

The AC will review annually the independence, adequacy and effectiveness of the internal audit function and internal audit report.

The AC will meet with the Internal Auditors without the presence of management to discuss their findings on the Company's observance of internal control measures that are in place. The Company was listed on 14 February 2020 after its FY2019. Hence, there was no such meeting held in FY2019.

**Key audit matters**

Please refer to the section Independent auditor's report.

**Whistle-blowing**

The AC has reviewed the Whistleblowing Policy that the Group has established. The Policy provides mechanisms which ensure a secure and confidential channel that allows employees and external parties to report possible improprieties and disclose any wrongdoings such as fraud, misconduct, breach of any laws or any other illegal acts directly to the AC Chairman. Reports can be lodged via email to lancetan75@gmail.com. In addition, there are policies and reporting mechanisms for employees and customers to raise concerns to the management, who will escalate significant issues to the Board as required. Employees making the report in good faith and without malice are protected from reprisals or victimization. The AC is satisfied that arrangements are in place to ensure independent investigation of such matters and for appropriate follow-up actions to be taken. There was no whistle blowing report received via the whistle-blowing channels in FY2019.

**SHAREHOLDER RIGHTS AND ENGAGEMENT**

**Shareholder Rights and conduct of general meetings**

*Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.*

The Group's corporate governance practices promote fair and equitable treatment of all shareholders. All shareholders should equally and on a timely basis be informed of all major developments that impact the Group via SGXNet. The Group recognises that the release of timely and relevant information is central to good corporate governance and enables shareholders to make informed decisions in respect of their investments in the Company.

Shareholders are informed of general meetings through announcements released on the SGXNet and notices contained in the annual reports or circulars sent to all shareholders. The rules, including the voting procedures, will be clearly explained by the scrutineers at such general meetings. All shareholders are entitled to attend the general meetings and are provided the opportunity to participate in the general meetings.

The Company takes note that there should be separate resolutions at general meetings on each substantially separate issue and to avoid bundling resolutions.

The Chairman of the Board, as well as the respective Chairman of each Board Committee is required to be present to address questions at the general meetings.

The Company Secretary, and the external auditors are also present to assist the Board to address shareholders' queries, if necessary.

Voting in absentia and by electronic mail may only be possible following careful study to ensure integrity of the information and authentication of the identity of shareholder through the web is not compromised and is also subject to legislative amendment to recognise electronic voting.

The Company Secretary prepares minutes of the general meetings, which capture the essence of the comments or queries from shareholders and responses from the Board and the management. Minutes of general meetings recording the substantial and relevant comments and queries relating to the agendas of the general meetings raised by shareholders, together with responses from the Board and management, are prepared by the Company Secretary. The Company does not deem it necessary for the minutes to be published on its website because shareholders who are interested to receive a copy of these minutes can easily make a request and such minutes will be made available to interested shareholders as soon as practicable upon receipt of their requests.

The Company currently does not have a fixed dividend policy. However, subject to certain factors, our Directors intend to recommend and distribute dividends of up to 20.0% of net profit after tax attributable to shareholders for each of FY2019, FY2020 and FY2021 to reward shareholders for participating in our growth.

The Directors are pleased to recommend a tax exempt one-tier final dividend of S$0.00693406 per ordinary share in respect of FY2019 for approval by shareholders at the forthcoming annual general meeting to be convened. Total amount of dividends to be recommended for approval is S$1.04 million, which is 20% from the Group's net profit for FY2019 of S$5.20 million. This is in line with the intention of the Directors to recommend and distribute dividends of up to 20% of the Group's profit after tax attributable to Shareholders for FY2019 subject to, inter-alia, the Group's earnings, financial performance, capital expenditure, working capital requirements and other factors deemed relevant by our Directors as disclosed in the Offer Document. Any dividend payments will be clearly communicated to shareholders via announcements on SGXNET.

## ENGAGEMENT WITH SHAREHOLDERS

*Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.*

The Company is committed to disclose to its shareholders the information in a timely and fair manner via announcements on SGXNET.

The Company does not practice selective disclosure. Results and annual reports are announced or issued within the mandatory period.

The information is provided to shareholders via:

- annual reports that are prepared and sent to all shareholders;
- half yearly and full yearly announcements containing a summary of the financial information;
- notices of AGM and Extraordinary General Meetings ("EGM") which are also advertised in a national newspaper.

The Company does not have a dedicated investor relations policy. The Shareholders can access the information on the Group and address their concerns through the Company's website at www.donagroint.com.

**ENGAGEMENT WITH STAKEHOLDERS**

*Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.*

The Company has identified stakeholders as those who are impacted by the Group's business and operations as well as those who have a material impact on the Group's business and operations. Such stakeholders include employees, contractors and suppliers, government and regulators, community, and shareholders and investors.

The Company engages its stakeholders through various channels to ensure that the business interests of the Group are balanced against the needs and interests of its stakeholders.

All shareholders will receive the Company's annual report and notice of general meetings. The Board welcomes questions from Shareholders who wish to raise issues, either informally or formally before or during the general meetings.

To ensure that all shareholders have the opportunity to participate effectively in and vote at general meetings, voting at general meetings of the Company will be conducted by poll where shareholders are accorded voting rights proportionate to their shareholding and all votes will be counted and announced immediately at the meeting. The Company will put all resolutions to vote by poll at general meetings and the detailed results of the total number and percentage of votes cast for and against each resolution will be announced via SGXNet after the conclusion of the general meeting on the same day.

**DEALING IN SECURITIES**

In accordance with the requirements of Rule 1204(19) of the Catalist Rules the Company and its officers should not deal in the Company's securities during the period commencing one month before the announcement of the Company's half year and full year financial results, and ending on the date of announcement of the relevant results. The restriction extends to the issue of shares or other convertible securities by the Company, and the sale or purchase of shares or other convertible securities by its officers. Under the Securities and Futures Act ("SFA"), officers should note that it is an offence to deal in the Company's securities (as well as securities of other listed companies) while in possession of unpublished material price-sensitive information. They are also discouraged from dealing in the Company's securities on short-term considerations.

**INTERESTED PERSON TRANSACTIONS**

The Group has not obtained a general mandate from shareholders for interested person transactions.

The Group has not obtained a general mandate from shareholders for recurrent interested person transactions. As at 31 December 2019 and 2018, the Group received a number of guarantees from a related party-CEO and Executive Director in connection with certain bank loans obtained by the Group in the amount of S$5.7 million and S$6.9 million, respectively. As no compensation, fees or other benefits have been paid or are payable by our Group to Marat Devlet-Kildeyev for the provision of the sureties, our Directors are of the view that such sureties provided were not on an arm's length basis and not on normal commercial terms, but were not prejudicial to the interest of our Group and our minority Shareholders. Please refer to pages 170 to 172 of the Company's Offer Document for further details.

**NON-SPONSOR FEES**

No non-sponsor fees were paid/payable to the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd., for FY2019.

## MATERIAL CONTRACTS

There were no material contracts entered into by the Group involving the interest of any Director or controlling shareholder of the Company, either subsisting at the end of the financial year, or if not then subsisting, entered into since the end of the previous financial year.

## USE OF IPO PROCEEDS

Pursuant to the IPO on 14 February 2020, the Company received net proceeds of S$1.3 million (after deducting listing and processing fees, professional fees and placement commission and other expenses) from the placement of new shares.

As at the date of this Annual Report, there was no utilisation of the IPO proceeds.

The intended usage of IPO proceeds is set out on page 59 of the Offer Document.

Pending the deployment of the unutilised IPO proceeds, the IPO proceeds have been placed in interest-bearing deposits with licenced banks in Singapore. At the appropriate juncture, our Group will deploy the IPO Proceeds towards the uses stated above. The Company will make periodic announcements on the utilisation of the IPO Proceeds as and when the proceeds are materially disbursed and provide a status report on such use in its annual report and its half year and full year financial statements.

The Directors are pleased to submit this statement to the members of the Company together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial period from 16 October 2018 (date of incorporation) to 31 December 2019.

In our opinion:

(a) the financial statements set out on pages 41 to 94 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group for the period from 16 October 2018 (date of incorporation) to 31 December 2019, in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

**Directors**

The directors in office at the date of this statement are as follows:

| | |
|---|---|
| Evgeny Tugolukov | (Appointed on 28 November 2018) |
| Marat Devlet-Kildeyev | (Appointed on 28 November 2018) |
| Ravi Chidambaram | (Appointed on 28 June 2019) |
| Tan Han Beng | (Appointed on 28 June 2019) |
| Edwin Tham Soong Meng | (Appointed on 28 June 2019) |

Change of Company name

During the financial year, the Company changed its name from Don Agro International Private Limited to Don Agro International Limited.

Directors' interests

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries), as stated below:

| | **Shareholdings in which Directors have a direct interest** | | | **Shareholdings in which Directors are Deemed to have an interest** | | |
|---|---|---|---|---|---|---|
| | **As at Date of incorporation/ date of appointment if later** | **As at 31 December 2019** | **As at 21 January 2020** | **As at Date of incorporation/ date of appointment if later** | **As at 31 December 2019** | **As at 21 January 2020** |
| **Company** | Fully Paid Ordinary Shares | | | | | |
| Evgeny Tugolukov | 94 | 9, 400,000 | 9, 400,000 | - | - | - |
| Marat Devlet-Kildeyev | 6 | 600,000 | 600,000 | - | - | - |

# DIRECTORS' STATEMENT

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares and debentures of the Company, or of related corporations, either at the date of incorporation, or at date of appointment if later, or at the end of the financial period.

Neither at the end of, nor at any time during the financial period, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

**Share options**

In conjunction with our listing on Catalist we have adopted a share option scheme known as the "Don Agro Employee Share Option Scheme" which was approved at an Extraordinary General Meeting of our Shareholders held on 4 February 2020.

**Summary of the ESOS**

The following is a summary of the rules of the ESOS which should be read in conjunction with the Rules of the Don Agro Employee Share Option Scheme.

**(1) Participants**

Confirmed Group Employees (including Executive Directors) and Non-Executive Directors (including Independent Directors) who have attained the age of twenty-one (21) years on or prior to the relevant Offer Date and are not undischarged bankrupts and have not entered into a composition with their respective creditors, shall be eligible to participate in the ESOS at the absolute discretion of the Committee.

Confirmed Group Employees (including Executive Directors) and Non-Executive Directors (including Independent Directors) who are also Controlling Shareholders or Associates of a Controlling Shareholder are also eligible to participate in the ESOS provided that (a) the participation of, and (b) the terms of any Options to be granted and the actual number of Shares to be granted under the ESOS, to a Participant who is a Controlling Shareholder or an Associate of a Controlling Shareholder shall be approved by the independent Shareholders in separate resolutions for each such person.

**2) Administration**

The ESOS shall be administered by the Committee with powers to determine, inter alia, the following:

(a) persons to be granted Options;

(b) number of Options to be granted; and

(c) recommendations for modifications to the ESOS.

The Committee will consist of Directors who are in the Remuneration Committee (including Directors or persons who may be participants of the ESOS). A member of the Committee who is also a participant of the ESOS must not be involved in any deliberation or decision in respect of Options granted or to be granted to him.

**(3) Size of the ESOS**

The total number of Shares over which the Committee may grant Options on any date, when added to the number of Shares issued and issuable in respect of (a) all Options granted under the ESOS; and (b) all outstanding options or awards granted under such other share-based incentive schemes of the Company, shall not exceed 15.0% of the number of issued Shares (including treasury shares, as defined in the Companies Act) on the day immediately preceding the Offer Date of the Option. Our Directors believe that this limit gives us sufficient flexibility to decide upon the number of Option Shares to offer to our existing and new employees. The number of eligible participants is expected to grow over the years. Our Company, in line with its goal of ensuring sustainable growth, is constantly reviewing its position and considering the expansion of its talent pool which may involve employing new employees. The employee base, and thus the number of eligible participants will increase as a result. If the number of Options available under the ESOS is limited, our Company may only be able to grant a small number of Options to each eligible participant which may not be a sufficiently attractive incentive. Our Company is of the opinion that it should have sufficient number of Options to offer to new employees as well as to existing ones. The number of Options offered must also be significant to serve as a meaningful reward for contributions to our Group. However, it does not necessarily mean that the Committee will definitely issue Option Shares up to the prescribed limit. The Committee shall exercise its discretion in deciding the number of Option Shares to be granted to each employee which will depend on the performance and value of the employee to our Group.

**(4) Maximum entitlements**

The aggregate number of Shares comprised in any Option to be offered to a participant under the ESOS shall be determined at the absolute discretion of the Committee, which shall take into account (where applicable) criteria such as rank, past performance, years of service, potential for future development of that participant. The aggregate number of Shares in respect of which Options may be granted to the Controlling Shareholders or Associates of the Controlling Shareholders under the ESOS shall not exceed 25.0% of the total number of Shares available under the ESOS. The aggregate number of Shares in respect of which Options may be granted to any individual Controlling Shareholders or Associate of a Controlling Shareholder under the ESOS shall not exceed 10.0% of the total number of Shares available under the ESOS.

**(5) Options, exercise period and exercise price**

The Options that are granted under the ESOS may have exercise prices that are, at the Committee's discretion, set at a price (the "Market Price") equal to the average of the last dealt prices for the Shares on the Official List of Catalist for the five (5) consecutive Market .Days immediately preceding the relevant date of grant of the relevant Option; or at a discount to the Market Price (subject to a maximum discount of 20.0%). Options which are fixed at the Market Price ("Market Price Option") may be exercised after the first anniversary of the date of grant of that Option while Options exercisable at a discount to the Market Price ("Discounted Option") may only be exercised after the second anniversary from the date of grant of the Option. Options granted under the ESOS will expire upon the tenth anniversary of the date of grant of that Option (or, in the case of Options granted to a Non-Executive Director, upon the fifth anniversary of the date of grant of that Option).

**(6) Grant of Options**

Under the rules of the ESOS, there are no fixed periods for the grant of Options. As such, offers for the grant of Options may be made at any time at the discretion of the Committee. However, no Option shall be granted during the period of 30 days immediately preceding the date of announcement of our Company's interim or final results (as the case may be). In addition, in the event that an announcement on any matter of an exceptional nature nvolving unpublished price sensitive information is imminent, offers may only be made after the second market day from the date on which the aforesaid announcement is made.

**(7) Termination of Options**

Special provisions in the rules of the ESOS deal with the lapse or earlier exercise of Options in circumstances which include the termination of the participant's employment in our Group, the bankruptcy of the participant, the death of the participant, a take-over of our Company and the winding-up of our Company.

**(8) Acceptance of Options**

The grant of Options shall be accepted within 30 days from the date of offer. Offers of Options made to grantees, if not accepted by the closing date, will lapse. Upon acceptance of the offer, the grantee must pay our Company a consideration of S$1.00.

**9) Alteration of capital and adjustment**

If a variation in the issued share capital of the Company (whether by way of a capitalization of profits or reserves or rights issue or reduction (including any reduction arising by reason of the Company purchasing or acquiring its issued Shares), subdivision, consolidation or distribution, or otherwise howsoever) should take place, then:

(a) the Exercise Price for the Shares, class and/or number of Shares comprised in the Options to the extent unexercised and the rights attached thereto; and/or

(b) the class and/or number of Shares in respect of which additional Options may be granted to participants, may be adjusted in such manner as the Committee may determine to be appropriate including retrospective adjustments where such variation occurs after the date of exercise of an Option but the Record Date relating to such variation precedes such date of exercise and, except in relation to a capitalisation issue, upon the written confirmation of the Auditors (acting only as experts and not as arbitrators), that in their opinion, such adjustment is fair and reasonable. Notwithstanding the foregoing, no such adjustment shall be made:

(a) if as a result, the participant receives a benefit that a Shareholder does not receive; and

(b) unless the Committee, after considering all relevant circumstances, considers it equitable to do so.

The issue of securities as consideration for an acquisition of any assets by the Company, or the cancellation of issued Shares purchased or acquired by the Company by way of market purchase of such Shares undertaken by the Company on Catalist during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force, shall not be regarded as a circumstance requiring adjustment, unless the Committee considers an adjustment to be appropriate, having due regard to the interests of Shareholders and participants.

**(10) Rights of Shares arising from the exercise of Options**

Shares arising from the exercise of Options are subject to the provisions of the Constitution of our Company. The Shares so allotted will upon issue rank pari passu in all respects with the then existing issued Shares, save for any dividend, rights, allotments or distributions, the record date for which is prior to the relevant exercise date of the Option. For such purposes, "record date" means the date as at the close of business on which our Shareholders must be registered in order to participate in any dividends, rights, allotments or other distributions (as he case may be).

**(11) Duration of the ESOS**

The ESOS shall continue in operation for a maximum duration of 10 years commencing on the date on which the ESOS is adopted by our Company in general meeting and may be continued for any further period thereafter with the approval of our Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

**(12) Abstention from voting**

Shareholders who are eligible to participate in the ESOS are to abstain from voting on any resolution of Shareholders relating to the ESOS, including (a) the implementation of the ESOS; (b) the discount quantum; and (c) the participation by and option grant to controlling shareholders and their associates.

In FY2019, no options have been granted pursuant to the Don Agro Employee Share Option Scheme.

During the financial period, there were:

(i) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and

(ii) no shares issued by virtue of any exercise of options to take up unissued shares of the Company or its subsidiaries.

As at the end of the financial period, there were no unissued shares of the Company or its subsidiaries under options.

**Auditors**

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

Signed by the Board of Directors

**Evgeny Tugolukov**
*Director*

**Marat Devlet-Kildeyev**
*Director*

15 April 2020

# INDEPENDENT AUDITORS' REPORT

Members of the Company Don Agro International Limited

**Report on the audit of the financial statements**

*Opinion*

We have audited the consolidated financial statements of Don Agro International Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial period from 16 October 2018 (date of incorporation) to 31 December 2019, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 41 to 94.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and the Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the financial position of the Group and Company as at 31 December 2019, and of the financial performance, changes in equity and cash flows of the Group for the financial period from 16 October 2018 (date of incorporation) to 31 December 2019.

*Basis for opinion*

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *'Auditors' responsibilities for the audit of the financial statements'* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Key audit matters*

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

Risks

The Group operates various farms and plantations for which the dairy cows and agricultural crops are subject to fair valuation. These significant biological assets are fair valued by management using industry/market accepted valuation methodology and approaches.

As the measurement of fair value involves judgement on the assumptions and estimates used, we have considered this to be a key audit matter.

Our responses

We had obtained the valuations of biological assets prepared by management. The valuations are reviewed by us, together with our internal valuation specialists where required for appropriateness of the fair value methodology used and reasonableness of the assumptions used, including forecast cash flows, discount rates and market prices for the crops as well as yield rates for the dairy cows and market prices of the livestock.

We have also reviewed the adequacy of the Group's disclosures in relation to biological assets as disclosed in Note 7.

*Our findings*

We have assessed the valuation of the biological assets, and find that the methodology used is comparable to industry practice, and that assumptions and estimates used are balanced.

*Other Information*

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have not obtained any other information prior to the date of this auditors' report, except for the Directors' Statements. The remaining other information is expected to be made available to us after that date.

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

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

*Responsibilities of management and directors for the financial statements*

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair consolidated financial statements and to maintain accountability of assets.

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

The directors' responsibilities include overseeing the Group's financial reporting process.

*Auditors' 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 auditors' 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 SSAs 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 SSAs, we exercise professional judgement 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 controls.

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the directors, 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. We describe these matters in our auditor's report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on other legal and regulatory requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Lim Pang Yew, Victor.

**KPMG LLP**
*Public Accountants and*
*Chartered Accountants*

**Singapore**
15 April 2020

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

| | Note | Group 2019 $'000 | Group 2018 $'000 | Company 2019 $'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Property, plant and equipment | 6 | 11,890 | 10,794 | – |
| Biological assets | 7 | 9,989 | 7,999 | – |
| Right-of-use assets | 14 | 4,584 | – | – |
| Investment in subsidiaries | 29 | – | – | 14,009 |
| Other non-current assets | | 26 | 31 | – |
| **Non-current assets** | | 26,489 | 18,824 | 14,009 |
| Biological assets | 7 | 6,747 | 5,647 | – |
| Current tax assets | | 24 | 25 | – |
| Inventories | 8 | 6,555 | 12,363 | – |
| Investments | 9 | 3,162 | – | – |
| Trade and other receivables | 10 | 3,744 | 688 | 2,085 |
| Cash and cash equivalents | 11 | 4,646 | 1,263 | 3 |
| **Current assets** | | 24,878 | 19,986 | 2,088 |
| **Total assets** | | 51,367 | 38,810 | 16,097 |
| **Equity** | | | | |
| Share capital | 12 | 35,741 | 14,007 | 35,741 |
| Capital reserves | 12 | (10,450) | 11,024 | (21,270) |
| Foreign currency translation reserve | | (826) | (3,989) | – |
| Accumulated profits/(losses) | | 12,992 | 8,384 | 962 |
| **Equity attributable to the owners of the Company** | | 37,457 | 29,426 | 15,433 |
| Non-controlling interests | | 32 | 18 | – |
| **Total equity** | | 37,489 | 29,444 | 15,433 |
| **Liabilities** | | | | |
| Loans and borrowings | 13 | 988 | 1,002 | – |
| Lease liabilities | 14 | 4,425 | 128 | – |
| Trade and other payables | 15 | – | – | 70 |
| Deferred income | | 358 | 168 | – |
| **Non-current liabilities** | | 5,771 | 1,298 | 70 |
| Loans and borrowings | 13 | 4,679 | 5,877 | – |
| Lease liabilities | 14 | 549 | 30 | – |
| Current tax liabilities | | 109 | 2 | – |
| Trade and other payables | 15 | 1,728 | 1,226 | 594 |
| Deferred income | | 106 | 52 | – |
| Provisions | 16 | 936 | 881 | – |
| **Current liabilities** | | 8,107 | 8,068 | 594 |
| **Total liabilities** | | 13,878 | 9,366 | 664 |
| **Total equity and liabilities** | | 51,367 | 38,810 | 16,097 |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | **$'000** | **$'000** |
| Revenue | 17 | 35,431 | 24,375 |
| Cost of sales | 18 | (33,354) | (22,017) |
| Gain from change in fair value of biological assets and agricultural produce | 7 | 6,512 | 6,704 |
| **Gross profit** | | 8,589 | 9,062 |
| Administrative expenses | 19 | (2,122) | (1,291) |
| Other operating expenses, net | 19 | (282) | (1,005) |
| **Results from operating activities** | | 6,185 | 6,766 |
| Finance income | | 249 | 158 |
| Finance costs | | (908) | (482) |
| **Net finance costs** | 21 | (659) | (324) |
| **Profit before tax** | | 5,526 | 6,442 |
| Tax expense | 22 | (303) | (54) |
| **Profit for the year** | | 5,223 | 6,388 |
| **Profit attributable to:** | | | |
| Owners of the Company | | 5,209 | 6,389 |
| Non-controlling interests | | 14 | (1) |
| **Profit for the year** | | 5,223 | 6,388 |
| Other comprehensive income | | | |
| **Items that are or may be reclassified subsequently to profit or loss:** | | | |
| Foreign currency translation differences arising from functional and presentation currency | | 3,163 | (4,761) |
| **Other comprehensive income for the year, net of tax** | | 3,163 | (4,761) |
| **Total comprehensive income for the year** | | 8,386 | 1,627 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | 8,372 | 1,628 |
| Non-controlling interests | | 14 | (1) |
| **Total comprehensive income for the year** | | 8,386 | 1,627 |
| **Earnings per share** | | | |
| Basic and diluted earnings per share (cents) | 27 | 4.17 | 5.11 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

| | | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Note | Share capital $'000 | Capital reserves $'000 | Foreign currency translation reserve $'000 | Accumulated profits $'000 | Total $'000 | Non-controlling interests $'000 | Total equity $'000 |
| **At 1 January 2019** | | 14,007 | 11,024 | (3,989) | 8,384 | 29,426 | 18 | 29,444 |
| **Total comprehensive income for the year** | | | | | | | | |
| Profit for the year | | – | – | – | 5,209 | 5,209 | 14 | 5,223 |
| **Other comprehensive income** | | | | | | | | |
| Foreign currency translation differences | | – | – | 3,163 | – | 3,163 | – | 3,163 |
| **Total comprehensive income for the year** | | – | – | 3,163 | 5,209 | 8,372 | 14 | 8,386 |
| **Transactions with owners, recognised directly in equity** | | | | | | | | |
| Dividends | 12 | – | – | – | (601) | (601) | – | (601) |
| Merger reserve | 12 | 21,734 | (21,734) | – | – | – | – | – |
| Transactions with owners | 12 | – | 260 | – | – | 260 | – | 260 |
| **Total transactions with owners** | | 21,734 | (21,474) | – | (601) | (341) | – | (341) |
| **At 31 December 2019** | | 35,741 | (10,450) | (826) | 12,992 | 37,457 | 32 | 37,489 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont'd)

For the year ended 31 December 2019

| | Note | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Share capital $'000 | Capital reserves $'000 | Foreign currency translation reserve $'000 | Accumulated profits $'000 | Total $'000 | Non-controlling interests $'000 | Total equity $'000 |
| **At 1 January 2018** | | 14,007 | 10,687 | 772 | 1,995 | 27,461 | 19 | 27,480 |
| **Total comprehensive income for the year** | | | | | | | | |
| Profit for the year | | – | – | – | 6,389 | 6,389 | (1) | 6,388 |
| **Other comprehensive income** | | | | | | | | |
| Foreign currency translation differences | | – | – | (4,761) | – | (4,761) | – | (4,761) |
| **Total comprehensive income for the year** | | – | – | (4,761) | 6,389 | 1,628 | (1) | 1,627 |
| **Transactions with owners, recognised directly in equity** | | | | | | | | |
| Transactions with owners | 12 | – | 337 | – | – | 337 | – | 337 |
| **Total transactions with owners** | | – | 337 | – | – | 337 | – | 337 |
| **At 31 December 2019** | | 14,007 | 11,024 | (3,989) | 8,384 | 29,426 | 18 | 29,444 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

| | Note | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | 5,223 | 6,388 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment and right-of-use assets | | 2,283 | 1,662 |
| Gain on disposal of property, plant and equipment | | (722) | (6) |
| Finance costs | | 908 | 482 |
| Finance income | | (249) | (158) |
| Tax expense | | 303 | 54 |
| Reversal of withholding tax expense | | (311) | – |
| Gain from change in fair value of biological assets and agricultural produce | | (6,512) | (6,704) |
| Revaluation of sold biological assets recognised in cost of sales | | 8,789 | 1,646 |
| Impairment loss on trade and other receivables and short-term investments (reverse)/made | | (4) | 252 |
| Impairment loss on inventories relating to agricultural produce | | 216 | 314 |
| Impairment loss on other inventories made/(reversed) | | 40 | (109) |
| Gain on disposal of subsidiary | | – | (1) |
| | | 9,964 | 3,820 |
| Changes in: | | | |
| Trade and other receivables | | (2,901) | 845 |
| Inventories | | (2,911) | (5,831) |
| Biological assets | | 4,874 | 4,049 |
| Trade and other payables and provisions | | 1,025 | 431 |
| Deferred income | | 215 | 92 |
| **Cash from operations** | | 10,266 | 3,406 |
| Tax paid | | (200) | (55) |
| **Net cash from operating activities** | | 10,066 | 3,351 |

# CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

For the year ended 31 December 2019

| | Note | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (1,742) | (2,109) |
| Proceeds from sale and disposal of property, plant and equipment | | 760 | 10 |
| Deposits returned | | – | 3,128 |
| Deposits placed | | (3,077) | (1,193) |
| Purchase of non-current assets | | – | (27) |
| Interest received | | 204 | 158 |
| Loans issued | | – | (12) |
| Disposal of subsidiary, net of cash disposed | | – | (2) |
| **Net cash used in investing activities** | | (3,855) | (47) |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | 5,755 | 13,018 |
| Repayment of borrowings | | (7,620) | (16,213) |
| Repayment of lease liabilities (2018: repayment of finance lease liabilities) | | (150) | (92) |
| Capital contributions from owners | | – | 23 |
| Interest paid | | (429) | (469) |
| Dividends paid | | (601) | – |
| **Net cash used in financing activities** | | (3,045) | (3,733) |
| **Net increase/(decrease) in cash and cash equivalents** | | 3,166 | (429) |
| Cash and cash equivalents at 1 January | | 1,263 | 1,952 |
| Effect of exchange rate fluctuations on cash held | | 217 | (260) |
| **Cash and cash equivalents at 31 December** | 11 | 4,646 | 1,263 |

**Significant non-cash transactions**

Significant non-cash transactions are disclosed in the following notes:

- Note 12 – Capital and reserves
- Note 13 – Loans and borrowings

These notes form an integral part of the consolidated financial statements.

The financial statements were authorised for issue by the Board of Directors on 15 April 2020.

**1. Business and organisation**

1.1 The Company

The Company was incorporated as Don Agro International Private Limited on 16 October 2018 and is domiciled in the Republic of Singapore. The Company was a private company limited by shares with an issued and paid-up share capital of $100 comprising 100 shares of which 6% and 94% are held by Mr Marat Devlet-Kildeyev and Mr Evgeny Tugolukov, respectively. On 4 February 2020, the Company was converted into a public company limited by shares and changed its name to Don Agro International Limited. The Company's registered address is 10 Collyer Quay, #10-01, Ocean Financial Centre, Singapore 049315.

The financial statements of the Group as at and for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in equity accounted investees.

The Company was listed on the Catalist Board of Singapore Exchange Securities Trading Limited on 14 February 2020.

The Group's principal business activity is growing, processing and distribution of agricultural and dairy products, mainly grain and milk at farms located in the Rostov Region. The Group's products are sold in the Russian Federation.

1.2 Operating environment of the Group

*Russian Federation*

The Group's operations are located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation, which display the characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which contribute together with other legal and fiscal impediments to the challenges faced by entities operating in the Russian Federation.

Starting in 2014, the United States of America, the European Union and some other countries have imposed and expanded economic sanctions against a number of Russian individuals and legal entities. The imposition of the sanctions has led to increased economic uncertainty, including more volatile equity markets, a depreciation of the Russian rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. As a result, some Russian entities may experience difficulties accessing the international equity and debt markets and may become increasingly dependent on state support for their operations. The longer-term effects of the imposed and possible additional sanctions are difficult to determine.

The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

In addition, the first months of 2020 have seen significant global market turmoil triggered by the outbreak of the coronavirus. Together with other factors, this has resulted in a sharp decrease in the oil price and the stock market indices, as well as a depreciation of the Russian Rouble. These developments are further increasing the level of uncertainty in the Russian business environment.

**1. Business and organisation (cont'd)**

1.3 The restructuring exercise ("Restructuring Exercise")

Pursuant to a share swap agreement dated 21 November 2019 entered into between the Company and Vallerd Investments Limited, the Company acquired, from Vallerd Investments Limited, the entire issued and paid-up share capital of JSC Tetra held by it, comprising an aggregate of 62,403,000 ordinary shares for a total consideration of $35,741,000 based on the unaudited Net Tangible Assets ("NTA") of Tetra JSC and its subsidiaries as at 30 June 2019. The purchase consideration was satisfied by the issue and allotment of an aggregate of 9,999,900 shares in the capital of the Company ("Consideration Shares") credited as fully paid-up and was arrived at on a willing buyer willing seller basis.

The Restructuring Exercise was accounted for as a combination of businesses under common control by Mr Evgeny Tugolukov and Mr Marat Devlet-Kildeyev, as they control the entity within the Group before and after the Restructuring Exercise. The presentation reflects the economic substance of the combining entities, which were under common control throughout the relevant periods, as a single economic enterprise, notwithstanding that the Restructuring Exercise was not completed until after the reporting date.

1.4 Transfer of entities under common control

The Restructuring Exercise is considered to be an acquisition of equity interests by entities under common control and therefore the entities acquired by the Group pursuant to the restructuring have been accounted for in a manner similar to the pooling-of-interest method. Accordingly, the assets and liabilities of these entities have been included in the consolidated financial statements at their historical carrying amounts. Although the share swap agreement was entered on 21 November 2019, the consolidated financial statements present the financial condition, results of operations and cash flows as if the restructuring had occurred as of the beginning of the earliest period presented.

1.5 Subsidiaries

The consolidated financial statements of the Group have been prepared to reflect the operations of the Company and the subsidiaries as a single economic enterprise and consist of those companies under common control during the year ended 31 December 2019.

As at 31 December 2019, the subsidiaries of the Group are set out in note 29 to the consolidated financial statements.

**2 Basis of preparation**

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)").

2.2 Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for:

- biological assets, which are measured at fair value less costs to sell; and
- agricultural produce, which is measured at fair value less cost to sell at the point of harvest.

**2 Basis of preparation (cont'd)**

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars ("$"). The functional currency of the Company is the Russian rouble ("RUB"). Assets and liabilities are translated from RUB functional currency to $ at rates of exchange ruling at the respective reporting date. All equity items are translated at historical rates. The result for the respective years are translated using the average rate. Resultant exchange differences are recognised directly in equity, in the foreign currency translation reserve. All financial information presented in $ has been rounded to nearest thousand, unless otherwise stated.

**3 Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in the financial statements, except as explained in note 5 which addresses changes in accounting policies. The accounting policies have been applied consistently by the Group entities.

3.1 Basis of consolidation

*(i) Business combinations*

Business combinations are accounted for using the acquisition method in accordance with SFRS(I) 3 Business Combinations as at the date of acquisition, which is the date on which control is transferred to the Group.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I)s.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in surplus or deficit. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

*(ii) Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

**3 Significant accounting policies (cont'd)**

3.1 Basis of consolidation (cont'd)

*(ii) Subsidiaries (cont'd)*

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

*(iii) Acquisitions from entities under common control*

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain/loss arising is recognised directly in equity.

*(iv) Loss of control*

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

*(v) Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign currency

*(i) Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

**3 Significant accounting policies (cont'd)**

3.2 Foreign currency (cont'd)

*(ii) Foreign operations*

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to RUB at exchange rates at the reporting date. The income and expenses of foreign operations are translated to RUB at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the translation reserve in equity.

3.3 Financial instruments

*(i) Recognition and initial measurement*

The Group initially recognised trade receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss ("FVTPL")) and financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

*(ii) Classification and subsequent measurement*

***Non-derivative financial assets***

On initial recognition, the Group's financial assets are classified as measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets, on which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

*Financial assets at amortised cost*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

**3 Significant accounting policies (cont'd)**

3.3 Financial instruments (cont'd)

*(ii) Classification and subsequent measurement (cont'd)*

***Non-derivative financial assets (cont'd)***

- the asset is held within a business model whose objective is to hold assets 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.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

***Non-derivative financial liabilities***

Financial liabilities are classified as measured at amortised cost and comprise loans and borrowings, finance lease liabilities and trade and other payables.

Such financial liabilities are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

*(iii) Derecognition of financial assets and financial liabilities*

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. The Group enters into transactions whereby it transfers assets recognised.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

*(iv) Offsetting of non-derivative financial assets and financial liabilities*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

*(v) Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits placed with financial institutions.

3.4 Share capital

*Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

**3 Significant accounting policies (cont'd)**

3.5 Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on weighted average basis, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity).

The cost of agricultural produce transferred from biological assets is its fair value less costs to sell at the date of harvest.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and estimated costs necessary to make the sale.

3.6 Biological assets and agricultural produce

Biological assets of the Group consist of unharvested crops (grain crops and other plant crops), permanent grasses and livestock (dairy cows which are able to produce milk (mature livestock), heifers and calves, being raised to produce milk in the future (immature livestock)). Bearer livestock and permanent grasses are classified as non-current assets, unharvested crops are classified as current assets in the statement of financial position.

Crops are measured at fair value less costs to sell, which include all costs that would be necessary to sell the assets. Permanent grass is stated at cost less accumulated depreciation and accumulated impairment losses as the fair value of permanent grass cannot be measured reliably. The permanent grass is grown for internal consumption and has neither comparable nor observable market sales data.

The fair value of agricultural produce at the point of harvest is based on the market price less costs to sell.

Upon harvest, grain crops and other plant crops are included into inventory for further processing or for sale and are initially measured at their fair value less estimated point-of-sale costs at the time of harvesting. A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is recognised in profit or loss in the period in which it arises.

Livestock is measured at their fair value less estimated point-of-sale costs. The fair value of livestock is based on cash flows model discounted using a pre-tax rate that reflects current market assessment of the time value of money and risks specific to the asset. The fair value of livestock was previously determined based on the market price less estimated costs to sell.

All the gross gains or loss arising from initial recognition of biological assets and from changes in fair value less costs to sell of biological assets are included as a separate line "Gain/(loss) from change in fair value of biological assets" above the gross profit line.

Cost to sell include all costs that would be necessary to sell the assets, including transportation costs.

3.7 Property, plant and equipment

*(i) Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;

**3 Significant accounting policies (cont'd)**

3.7 Property, plant and equipment (cont'd)

*(i) Recognition and measurement (cont'd)*

- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.
- Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

*(ii) Subsequent costs*

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

*(iii) Depreciation*

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of assets, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land and properties under construction in progress are not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the years are as follows:

| | |
|---|---|
| Buildings | 7 – 50 years |
| Plant and equipment | 3 – 12 years |
| Motor vehicles | 3 – 10 years |

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

**3 Significant accounting policies (cont'd)**

3.8 Leases

***Policy applicable from 1 January 2019***

***(i) As a lessee***

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The right-of-use assets is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end if the lease term or the cost of the right-of-use assets reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

In accordance with SFRS(I) 16 variable payments which do not depend on index or rate, i.e. do not reflect changes in market rental rates, should not be included in calculation of lease liability. In respect of municipal (or federal) land leases where the lease payments are based on cadastral value of the land plot and do not change until the next potential revision of that value or payments (or both) by the authorities, the Group determined that these lease payments are not considered as either variable (that depend on an index or rate or reflect changes in market rental rates) or in-substance fixed, and therefore these payments are not be included in the measurement of the lease liability.

The Group leases a number of land plots under lease agreements that typically run for a period of 10 years, with an option to renew the lease after expiration. The Group determined the lease term as a contract term.For majority of lease agreements, rent is established as a payment in-kind in a form of agricultural produce harvested by the Group. At the commencement date, the Group measures the lease liability at the present value of the payments in-kind that are not paid at that date. The following payments are not included in the measurement of lease liability: plowing services, ritual services, and reimbursement of land tax to the lessor.

**3 Significant accounting policies (cont'd)**

3.8 Leases (cont'd)

***Policy applicable from 1 January 2019 (cont'd)***

***(i) As a lessee (cont'd)***

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

***Short-term leases and leases of low-value assets***

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

***Policy applicable before 1 January 2019***

*(i) Determining whether an arrangement contains a lease*

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Company's incremental borrowing rate.

*(ii) Leased assets*

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

*(iii) Lease payments*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**3 Significant accounting policies (cont'd)**

3.8 Leases (cont'd)

Impairment

*(i) Non-derivative financial assets*

The Group recognises loss allowances for ECLs (expected credit loss) on financial assets measured at amortised costs.

Loss allowance for the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12-months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or

- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

*Simplified approach*

The Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

*General approach*

The Group applies the general approach to provide for ECLs on all other financial assets. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risks.

**3 Significant accounting policies (cont'd)**

3.8 Leases (cont'd)

*Measurement of ECLs*

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

*Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

*Presentation of allowance for ECLs in the consolidated statement of financial position*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

*Write-off*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

*(ii) Non-financial assets*

The carrying amounts of the Group's non-financial assets, other than biological assets, inventories and current tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

**3 Significant accounting policies (cont'd)**

3.8 Leases (cont'd)

*Write-off (cont'd)*

*(ii) Non-financial assets (cont'd)*

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

Impairment loss recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.9 Employee benefits

*(i) Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

*(ii) Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.10 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance costs.

3.11 Revenue

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation (PO) by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3 Significant accounting policies (cont'd)**

3.11 Revenue (cont'd)

observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

3.12 Finance costs

Finance costs comprise interest expense on loans and borrowings, and finance lease liabilities. Interest expense is recognised using the effective interest method.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.13 Government grants

A conditional government grant related to property, plant and equipment are recognised initially as "deferred income" at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. These grants are presented at gross presentation basis in the financial statements. These grants are then recognised in profit or loss as "other operating income" on a systematic basis over the useful life of the asset. Grants that compensate the Group for finance cost incurred are recognised in profit or loss as reduction in "finance costs" on a systematic basis in the same periods in which the finance costs are recognised.

3.14 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under FRS 37 Provisions, Contingent Liabilities and Contingent Assets.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes; if any.

Current tax assets and liabilities are offset only if certain criteria are met.

**3 Significant accounting policies (cont'd)**

3.14 Tax (cont'd)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and

- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.15 Fair value measurement

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair value. This includes a finance team that has overall responsibility for all significant fair value measurements, including Level 3 fair values, and report directly to the Chief Financial Officer.

The finance team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as source documents, is used to measure values, then the valuation team assesses and

**3 Significant accounting policies (cont'd)**

3.15 Fair value measurement (cont'd)

documents the evidence obtained from the third parties to support the conclusion that these valuations meet the requirement of SFRS(I), including the level in fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Board of directors.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1* : quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2* : inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3* : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in note 7 -biological assets.

3.16 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.17 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Directors of the Company (the chief operating decision maker) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Directors of the Company include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

**4 Use of judgements and estimates**

In preparing the consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

**4 Use of judgements and estimates (cont'd)**

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

*Judgements*

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in note 3.7(iii) – useful lives of property, plant and equipment.

*Assumptions and estimation uncertainties*

Information about assumptions and estimation uncertainties that have significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the year ending 31 December 2019 is included in note 7 – determining the fair value of biological assets and agricultural produce on the basis of significant unobservable inputs.

**5 Changes in significant accounting policies**

***SFRS(I) 16 Leases***

The Group initially applied SFRS(I) 16 *Leases* from 1 January 2019.

The Group has initially adopted SFRS(I) 16 Leases from 1 January 2019. SFRS(I) 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied SFRS(I) 16 using the modified retrospective approach, under which the cumulative effect, if any, of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under SFRS(I) 1-17 Leases and related interpretations. The details of the changes in accounting policies are disclosed below.

**A. Definition of a lease**

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under SFRS(I) INT 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under SFRS(I) 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to SFRS(I) 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied SFRS(I) 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 were not reassessed. Therefore, the definition of a lease under SFRS(I) 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

**B. As a lessee**

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

**5 Changes in significant accounting policies (cont'd)**

***SFRS(I) 16 Leases (cont'd)***

**B. As a lessee (cont'd)**

***Transition***

Previously, the Group classified land leases as operating leases under SFRS(I) 1-17.

At transition, for leases classified as operating leases under SFRS(I) 1-17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying SFRS(I) 16 to leases previously classified as operating leases under SFRS(I) 1-17.

– Applied a single discount rate to a portfolio of leases with similar characteristics.

The Group leases a number of items of agricultural machinery. These leases were classified as finance leases under SFRS(I) 1-17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under SFRS(I) 1-17 immediately before that date.

**C. As a lessor**

The Group does not have significant lease arrangements in which it acts as a lessor.

**D. Impacts on financial statements**

***Impacts on transition****

On transition to SFRS(I) 16, the Group recognised additional right-of-use assets and additional lease liabilities. The impact on transition is summarised below.

| | **1 January 2019** |
|---|---|
| | **$'000** |
| Right-of-use assets – Land | 4,820 |
| Right-of-use assets – Agricultural equipment | 342 |
| Property, plant and equipment | (342) |
| Lease liabilities | (4,820) |
| Lease liabilities | (148) |
| Trade and other payables | 148 |

* For the impact of SFRS(I) 16 on profit or loss for the year, see Note 14. For the impact of SFRS(I) 16 on segment information, see Notes 28. For the details of accounting policies under SFRS(I) 16 and SFRS(I) 1-1, see Note 3.8.

5 **Changes in significant accounting policies (cont'd)**

***SFRS(I) 16 Leases (cont'd)***

**D. Impacts on financial statements (cont'd)**

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate of 11.9% at 1 January 2019.

| | **1 January 2019** |
|---|---|
| | **$'000** |
| Operating lease commitments at 31 December 2018 as disclosed in the Group's combined financial statements | 9,842 |
| Discounted using the incremental borrowing rate at 1 January 2019 | 5,563 |
| Lease liabilities reclassified from trade and other payables at | (342) |
| 1 January 2019 | 148 |
| Finance lease liabilities recognised as at 31 December 2018 | 158 |
| – Future lease payments that do not depend on index or rate | (743) |
| Lease liabilities recognised at 1 January 2019 | 5,126 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 6 Property, plant and equipment

| | Land | Buildings | Plant and equipment | Motor Vehicles | Construction in progress | Total |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Cost** | | | | | | |
| At 1 January 2018 | 4,193 | 3,332 | 12,148 | 924 | 70 | 20,667 |
| Additions | 15 | 338 | 1,511 | 56 | 189 | 2,109 |
| Disposal of subsidiary | – | (6) | (3) | – | – | (9) |
| Disposals/Write-off | – | (2) | (2) | – | (4) | (8) |
| Effect on movements in exchanges rates | (639) | (535) | (1,79) | (145) | (27) | (3,325) |
| At 31 December 2018 | 3,569 | 3,127 | 11,675 | 835 | 228 | 19,434 |
| Reclassification to right-of-use assets on initial application of SFRS(I) 16 | – | – | (678) | (20) | – | (698) |
| Adjusted balance at 1 January 2019 | 3,569 | 3,127 | 10,997 | 815 | 228 | 18,736 |
| Buy-out of the leased assets | – | – | 386 | – | – | 386 |
| Additions | 168 | 134 | 1,165 | 135 | 140 | 1,742 |
| Disposals/Write-off | (7) | (15) | (109) | – | – | (131) |
| Effect on movements in exchanges rates | 372 | 325 | 1,180 | 87 | 27 | 1,991 |
| At 31 December 2019 | 4,102 | 3,571 | 13,619 | 1,037 | 395 | 22,724 |
| **Accumulated depreciation and impairment losses** | | | | | | |
| At 1 January 2018 | – | (929) | (6,792) | (691) | – | (8,412) |
| Depreciation charge for the year | – | (228) | (1,335) | (99) | – | (1,662) |
| Disposal of subsidiary | – | 4 | 3 | – | – | 7 |
| Disposals/Write-off | – | 2 | 2 | – | – | 4 |
| Effect on movements in exchange rates | – | 161 | 1,148 | 114 | – | 1,423 |
| At 31 December 2018 | – | (990) | (6,974) | (676) | – | (8,640) |
| Reclassification to right-of-use assets on initial application of SFRS(I) 16 | – | – | 345 | 11 | – | 356 |
| Adjusted balance at 1 January 2019 | – | (990) | (6,629) | (665) | – | (8,284) |
| Buy-out of the leased assets | – | – | (157) | – | – | (157) |
| Depreciation charge for the year | – | (233) | (1,285) | (71) | – | (1,589) |
| Disposals/Write-off | – | 2 | 91 | – | – | 93 |
| Effect on movements in exchange rates | – | (108) | (719) | (70) | – | (897) |
| At 31 December 2019 | – | (1,329) | (8,699) | (806) | – | (10,834) |

**6 Property, plant and equipment (cont'd)**

| | Land | Buildings | Plant and equipment | Motor Vehicles | Construction in progress | Total |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Carrying amounts** | | | | | | |
| At 1 January 2018 | 4,193 | 2,403 | 5,356 | 233 | 70 | 12,255 |
| At 31 December 2018 | 3,569 | 2,137 | 4,701 | 159 | 228 | 10,794 |
| At 31 December 2019 | 4,102 | 2,242 | 4,920 | 231 | 395 | 11,890 |

**6 Property, plant and equipment (cont'd)**

**Security**

Property, plant and equipment of the Group with carrying amounts, $2,342,000 and $1,999,000 have been pledged to secure bank loans (see note 13) at 31 December 2019 and 2018, respectively.

**Leased property, plant and machinery (classified as finance lease under SFRS(I) 1-17)**

The Group leases certain items of property, plant and equipment under a number of lease agreements. Certain leases provide the Group with the option to purchase the property, plant and equipment at a beneficial price. The net carrying amount of leased property, plant and machinery under finance lease was $367,000 as at 31 December 2018.

**Depreciation**

Depreciation for the year are charged to the accounts stated as follows:

| | **2019** | **2018** |
|---|---|---|
| | **$'000** | **$'000** |
| Biological assets | 474 | 263 |
| Inventories | 295 | 395 |
| Cost of sales | 795 | 978 |
| Administrative expenses | 25 | 26 |
| | 1,589 | 1,662 |

*Depreciation expense, useful lives and residual value*

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group regularly reviews the estimated useful lives of the assets in order to determine the amount of depreciation expense to be recorded at each financial year. Useful lives are derived based on management's judgement of the period in which the assets will generate revenue, which are periodically reviewed for continued appropriateness. Due to the long lives of assets, changes to the estimates used can result in significant variations in the carrying value.

**7 Biological assets**

| | **2019** | **2018** |
|---|---|---|
| | **$'000** | **$'000** |
| Livestock | 9,808 | 7,854 |
| Permanent grasses | 181 | 145 |
| Non-current | 9,989 | 7,999 |
| Current – crops | 6,747 | 5,647 |
| | 16,736 | 13,646 |

**7 Biological assets (cont'd)**

***Biological assets - crops***

In 2019 and 2018, the Group cultivated wheat, sunflower, corn and other crops. As at 31 December, the unharvested crops are represented by the following types.

| | 2019 | 2018 |
|---|---|---|
| | $'000 | $'000 |
| Winter wheat | 6,502 | 5,647 |
| Sunflower | 227 | – |
| Corn | 18 | – |
| Balance at 31 December – current | 6,747 | 5,647 |

Changes in biological assets - crops balances during 2019 and 2018 are disclosed below:

| | 2019 | 2018 |
|---|---|---|
| | $'000 | $'000 |
| Balance at 1 January | 5,647 | 4,359 |
| Increase due to costs on growing crops | 18,685 | 16,961 |
| Gain arising from changes in fair value less estimated cost to sell | 6,445 | 7,414 |
| Decrease of crops due to harvest | (24,624) | (22,238) |
| Effect on movements in exchange rates | 594 | (849) |
| Balance at 31 December – current | 6,747 | 5,647 |

***Biological assets - permanent grasses***

Changes in biological assets - permanent grasses balances during 2019 and 2018 are disclosed below:

| | 2019 | 2018 |
|---|---|---|
| | $'000 | $'000 |
| Balance at 1 January | 145 | 192 |
| Increase due to costs on growing crops | 932 | 839 |
| Decrease of crops due to harvest | (912) | (859) |
| Effect on movements in exchange rates | 16 | (27) |
| Balance at 31 December – non-current | 181 | 145 |

***Biological assets - livestock***

Changes in biological assets - livestock balances during 2019 and 2018 are disclosed below:

| | 2019 | 2018 |
|---|---|---|
| | $'000 | $'000 |
| Balance at 1 January | 7,854 | 8,683 |
| Increase due to cost on growth | 7,740 | 7,234 |
| Disposal due to mortality | (40) | (85) |
| Decrease due to sales of livestock | (1,086) | (694) |
| Decrease due to sales of milk | (5,566) | (5,207) |
| Gain/(loss) arising from changes in fair value less estimated cost to sell | 67 | (710) |
| Effect on movements in exchange rates | 839 | (1,367) |
| Balance at 31 December – non-current | 9,808 | 7,854 |

**7 Biological assets (cont'd)**

**Risk management strategy related to agriculture activities**

The Group is exposed to the following risks related to its crops and livestock:

*Regulatory and environmental risks*

The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems are in place to manage those risks.

*Supply and demand risk*

The Group is exposed to risks arising from fluctuations in the price and sales volume of grain and milk products. Whenever possible the Group manages this risk by aligning its production volume to market supply and demand. Management performs regular industry trend analyses to ensure that the Group's pricing structure is in line with the market and to ensure that the projected harvest and milk volumes are consistent with expected demand.

*Climate and other risks*

The Group's crops are exposed to the risk of damage from climatic changes and diseases. The Group has extensive processes in place aimed at monitoring and mitigating those risks. The Group does not insure itself against failure of crops.

**Measurement of fair values**

*Fair value hierarchy*

The fair value measurements for the crops and livestock have been categorised as Level 3 fair values based on the inputs to the valuation techniques used.

Permanent grass is stated at cost less accumulated impairment losses as the fair value of permanent grass cannot be measured reliably. The permanent grass is grown for internal consumption and has neither comparable nor observable market sales data.

*Level 3 fair value*

The following table shows a breakdown of the total gains/(losses) recognised in respect of Level 3 fair values.

| | 2019 | 2018 |
|---|---|---|
| | $'000 | $'000 |
| Gain from change in fair value of biological assets and agricultural produce | | |
| -Change in fair value (realised) | 3,610 | 2,072 |
| -Change in fair value (unrealised) | 2,902 | 4,632 |
| | 6,512 | 6,704 |
| Gain/(Loss) included in OCI | | |
| Effect of movements in exchange rates | 1,449 | (2,243) |

## 7 Biological assets (cont'd)

### Valuation techniques and significant unobservable inputs

The following table shows the Group's valuation techniques used in measuring Level 3 fair values of biological assets, as well as the significant unobservable inputs used:

| Type | Valuation technique | Significant unobservable inputs | Inter-relationship between key unobservable inputs and fair value measurements |
|---|---|---|---|
| Bearer livestock: milk cow<br>• Number of dairy cows - 2019: 2,049; 2018: 2,033<br>• Number of calves and heifers - 2019: 2,054; 2018: 2,005 | Discounted cash flow: Fair value is determined using the cash flow model discounted using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the asset. The cash flow model is based on the physiological characteristics of the animals and management expectations concerning the potential productivity. | • Length of lactation period (years) 2018: 3.21; 2019: 2.83<br>• Herd average daily milk yield (litres) 2018: 17.78; 2019: 19.53<br>• Market prices for milk in the same region (in RUB/litre excluding VAT) 2019: 29.29; 2018: 27.52<br>• Risk-adjusted discount rate 2019: 15.2%; 2018: 15.2% | The estimated fair value would increase (decrease) if:<br>• the lengths of lactation period were higher (lower);<br>• the herd average daily milk yields were higher (lower);<br>• the market prices for milk in the same region were higher (lower); or<br>• the risk-adjusted discount rates were lower (higher). |
| Crops: winter wheat<br>• Plant area (hectare) - 2019: 18,413; 2018: 18,243 | Discounted cash flow: The valuation model considers the present value of the net cash flows expected to be generated by the crops that are in growing stage as at the year ended. The cash flow projection include the planted area, expected yield, market price and future cost to grow and sell. The expected net cash flows are discounted using a risk-adjusted discount rate. | • Market prices for crop in the same region (in RUB/tonne excluding VAT) 2019: 9,654; 2018: 10,151<br>• Risk-adjusted discount rate 2019:15.2%; 2018: 15.2%<br>• Expected yield (tonne/hectare) 2019: 4.1; 2018: 3.88<br>• Future cost to grow and sell (in RUB/hectare) 2019: 14,131; 2018: 12,683 | The estimated fair value would increase (decrease) if:<br>• the expected yields were higher (lower);<br>• the market prices for crop in the same region were higher (lower);<br>• future cost to grow and sell were lower (higher); or<br>• the risk-adjusted discount rates were lower (higher) |

## 8 Inventories

| | 2019 | 2018 |
|---|---|---|
| | $'000 | $'000 |
| Raw materials and consumables | 3,011 | 4,301 |
| Work in progress | 1,364 | 1,560 |
| Finished goods – agricultural produce | 2,252 | 6,530 |
| | 6,627 | 12,391 |
| Less: Provision | (72) | (28) |
| | 6,555 | 12,363 |

Work in progress is mainly represented by the cost incurred after the harvest of corn, sunflower and other crops.

Inventories of $12,611,000 and $9,181,000 were recognised as an expense during the years ended 31 December 2019 and 2018, and included in "cost of sales" respectively (see note 18).

Provision is mainly represented by the write-down to net realisable value due to slow moving and obsolete inventories.

The write-downs and reversals are included in "cost of sales".

## 9 Investments

| | 2019 | 2018 |
|---|---|---|
| | $'000 | $'000 |
| Short-term loan issued | 251 | 228 |
| Less: Impairment loss | (251) | (228) |
| | – | – |
| Short-term bank deposits with maturities of three months or more (RUB denominated, 5.8%-6.4%) | 3,162 | – |
| | 3,162 | – |

In 2017, the Group issued RUB denominated non-interest bearing loan to LLC Volgo-Agro amounting of $255,000 (RUB 11,000,000), repayable on demand in 2018. This loan is fully impaired.

The Group's exposure to credit risk and impairment losses for investments are disclosed in note 23.

## 10 Trade and other receivables

| | Group | | Company |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| | $'000 | $'000 | $'000 |
| Trade receivables | 1,201 | 124 | – |
| Other receivables | 50 | 77 | – |
| Less: Impairment losses | (4) | (7) | – |
| | 1,247 | 194 | – |
| Dividends receivable | – | – | 1,926 |
| Advances paid to suppliers | 1,881 | 59 | – |
| Value-added tax ("VAT") receivables | 176 | 173 | – |
| Prepaid listing expenses | 440 | 262 | 159 |
| | 3,744 | 688 | 2,085 |

**10 Trade and other receivables (cont'd)**

During the year, a wholly-owned subsidiary has declared an interim dividend of RUB1.50 (0.03 cents) per share, amounting to RUB93,604,500 (S$1,926,000) to the Company for the financial year ended 31 December 2019.

The Group's exposure to credit and currency risks, and impairment losses for trade and other receivables are disclosed in note 23.

**11 Cash and cash equivalents**

| | Group | | Company |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| | $'000 | $'000 | $'000 |
| Petty cash | 7 | 5 | – |
| Bank balances | 513 | 148 | 3 |
| Short-term bank deposits with maturities of three months or less | 4,126 | 1,110 | – |
| | 4,646 | 1,263 | 3 |

Interest rates relating to short-term bank deposits with maturities of three months or less with financial institutions range between 4.69% and 7.3% per annum and range between 6.8% and 7.2% per annum for the years ended 31 December 2019 and 2018, respectively. Cash and cash equivalents are denominated in RUB.

**12 Capital and reserves**

**Share capital**

Share capital as presented in the statements of financial position refers to shares issued to the controlling shareholders pursuant to the Restructuring Exercise as described in note 1.3, which is deemed to have taken place since the beginning of the earliest period presented.

| | Number of shares | | Amount | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | | | $'000 | $'000 |
| **Issued and fully paid ordinary shares, at par value:** | | | | |
| In issue at 1 January | 100 | 100 | –* | –* |
| Issued during the year | 9,999,900 | – | 35,741 | – |
| In issue at 31 December | 10,000,000 | 100 | 35,741 | –* |

**: Less than $1,000*

**Dividends**

For the year ended 31 December 2019 the Group paid dividends of $601,000 to the previous shareholder of JSC Tetra, prior to the Restructuring Exercise as disclosed in Note 1.3 (31 December 2018: $nil).

**Ordinary shares**

*The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.*

## 12 Capital and reserves (cont'd)

### Capital reserves

*The movements in capital reserve balance are as follows:*

| | 2019 | 2018 |
|---|---|---|
| | $'000 | $'000 |
| Balance at 1 January | 11,024 | 10,687 |
| Transactions with owners | 260 | 337 |
| Merger reserve | (21,734) | – |
| Balance at 31 December | (10,450) | 11,024 |

The owner of the Group has undertaken to settle the listing expenses incurred by the Group without requiring the Group to repay the listing expenses resulting in a contribution to capital reserve of $260,000 and $314,000 for the year ended 31 December 2019 and 2018, respectively. In addition, the ultimate controlling party made cash contributions to the Group in the amount of $23,000 recorded in capital reserves during the year 2018.

Merger reserve arose due to the execution of the share swap agreement between the Company and Vallerd Investments Limited as a result of the Restructuring Exercise, details of which can be found in Note 1.3.

### Capital management

The primary objective of the Group's capital management is to maximise participants' return while sustaining a reasonable level of financial risks. The Group does not have a quantified target level of participants' return or capital ratios. To fulfil capital management objectives while providing for external financing of regular business operations and investment projects, the Group's management compares expected return of these operations and projects with the costs of debt and maintains prudent financial risk management as described above. The amount of capital that the Group managed at 31 December 2019 and 2018 was $37,489,000 and $29,444,000, respectively. The Group considers the amount of equity attributable to the owners of the Company as capital.

The Group monitors capital on the basis of net debt to earnings before interest, tax, depreciation and amortisation ("EBITDA") ratio. Net debt is calculated as total borrowings (including current and non-current loans, borrowings and lease liability as shown in the consolidated statement of financial position) less cash and cash equivalents. As at 31 December 2019 and 2018, net debt to EBITDA ratio is calculated as follows:

| | 2019 | 2018 |
|---|---|---|
| | $'000 | $'000 |
| Net debt | 5,995 | 5,774 |
| EBITDA | 8,334 | 8,417 |
| Net debt to EBITDA ratio | 0.72 | 0.69 |

## 13 Loans and borrowings

| | 2019 | 2018 |
|---|---|---|
| | $'000 | $'000 |
| Non-current liabilities | | |
| Secured bank loans | 984 | 998 |
| Loans from third parties | 4 | 4 |
| | 988 | 1,002 |
| Current liabilities | | |
| Secured bank loans | 4,677 | 5,875 |
| Loans from third parties | 2 | 2 |
| | 4,679 | 5,877 |

## 13 Loans and borrowings (cont'd)

Bank loans received in RUB are secured by pledge of property, plant and equipment (see note 6).

The Group's exposure to interest rate and liquidity risks related to loans and borrowings is disclosed in note 23.

**Terms and debt repayment schedule**

The terms and conditions of outstanding loans and borrowings are as follows:

| | | | | 2019 | | 2018 | |
|---|---|---|---|---|---|---|---|
| | **Currency** | **Nominal interest rate %** | **Year of maturity** | **Face value $'000** | **Carrying amount $'000** | **Face value $'000** | **Carrying amount $'000** |
| Secured bank loans | RUB | 2.45%-13% | 2019 - 2022 | 5,661 | 5,661 | 6,873 | 6,873 |
| Loans from third parties | RUB | 3% | 2019 - 2021 | 6 | 6 | 6 | 6 |
| | | | | 5,667 | 5,667 | 6,879 | 6,879 |

In 2017, the mechanism for provision of governmental support to agricultural companies had changed. Prior to the change, the agricultural producer had to apply to the government and request to receive financial support upon fulfilment of certain requirements, subject to the availability of funds. After the change, agricultural producers are supported by government through provision of subsidised loans with a reduced interest rate by the government approved banks. Low interest rate is provided so long as the Group complies with the specific conditions in relation to agricultural companies operating in the Russian Federation but could be cancelled in case of violation or lack of government financial support provided to the bank. The lower interest rate of 2.45% per annum is treated as a government grants in 2019 (in 2018 is 2.5%). Government grants amounting to $394,000 and $349,000 were received during the year ended 31 December 2019 and 2018, respectively, and recognised in finance costs (see note 21).

***Reconciliation of movements of liabilities to cash flows arising from financing activities***

| | Liabilities | | | | |
|---|---|---|---|---|---|
| | **Secured bank loans $'000** | **Loans from related parties $'000** | **Loans from third parties $'000** | **Finance lease liabilities $'000** | **Total $'000** |
| **Balance at 1 January 2018** | 10,289 | 1,259 | 5 | 284 | 11,837 |
| **Changes from financing cash flows** | | | | | |
| Proceeds from borrowings | 13,018 | – | – | – | 13,018 |
| Repayment of borrowings | (15,044) | (1,169) | – | – | (16,213) |
| Repayment of finance leases | – | – | – | (92) | (92) |
| Interest paid | (452) | – | – | (17) | (469) |
| **Total changes from financing cash flows** | (2,478) | (1,169) | – | (109) | (3,756) |
| **Liability-related other changes** | | | | | |
| Finance costs | 453 | – | 1 | 17 | 471 |
| **Total liability-related other changes** | 453 | – | 1 | 17 | 471 |
| **Effect on movement in exchange rates** | (1,391) | (90) | – | (34) | (1,515) |
| **Balance at 31 December 2018** | 6,873 | – | 6 | 158 | 7,037 |

**13 Loans and borrowings (cont'd)**

| | Liabilities | | | | |
|---|---|---|---|---|---|
| | Secured bank loans | Loans from related parties | Loans from third parties | Finance lease liabilities | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Balance at 1 January 2019** | 6,873 | – | 6 | 5,126 | 12,005 |
| **Changes from financing cash flows** | | | | | |
| Proceeds from borrowings | 5,755 | – | – | – | 5,755 |
| Repayment of borrowings | (7,620) | – | – | – | (7,620) |
| Repayment of finance leases | – | – | – | (150) | (150) |
| Interest paid | (250) | – | – | (179) | (429) |
| **Total changes from financing cash flows** | (2,115) | – | – | (329) | (2,444) |
| **Liability-related other changes** | | | | | |
| Finance costs | 247 | – | 1 | 641 | 889 |
| Finance income | – | – | – | (45) | (45) |
| Remeasurement of right-of-use assets | – | – | – | (545) | (545) |
| Modification of right-of-use assets | – | – | – | 342 | 342 |
| New leases | – | – | – | 49 | 49 |
| Payment in kind | – | – | – | (756) | (756) |
| **Total liability-related other changes** | 247 | – | 1 | (314) | (66) |
| **Effect on movement in exchange rates** | 656 | – | (1) | 491 | 1,146 |
| **Balance at 31 December 2019** | 5,661 | – | 6 | 4,974 | 10,641 |

**14 Lease liabilities**

| | 2019 | 2018 |
|---|---|---|
| | $'000 | $'000 |
| **Non-current** | | |
| Lease liabilities | 4,425 | 128 |
| **Current** | | |
| Lease liabilities | 549 | 30 |

The Group leases agricultural equipment and land plots. Lease liabilities are secured by the leased assets.

| | | | | 2019 | | 2018 | |
|---|---|---|---|---|---|---|---|
| | Currency | Nominal interest rate % | Year of maturity | Face value $'000 | Carrying amount $'000 | Face value $'000 | Carrying amount $'000 |
| Lease liabilities | RUB | 5% - 13% | 2019 – 2039 | 7,800 | 4,974 | 186 | 158 |

**14 Lease liabilities (cont'd)**

**Right-of-use assets**

Right-of-use assets related to leased properties: Land plots and agricultural equipment

| | Land plots 2019 $'000 | Agricultural equipment 2019 $'000 | Total 2019 $'000 |
|---|---|---|---|
| Balance at 1 January | 4,820 | 342 | 5,162 |
| Depreciation charge for the year | (632) | (62) | (694) |
| Additions to right-of-use assets | 49 | – | 49 |
| Remeasurement of right-of-use assets | (545) | – | (545) |
| Modification of right-of-use assets | 342 | – | 342 |
| Buy-out of the leased assets | – | (229) | (229) |
| Effect on movements in exchange rates | 474 | 25 | 499 |
| Balance at 31 December | 4,508 | 76 | 4,584 |

**Amounts recognised in profit or loss**

| | $'000 |
|---|---|
| **2019 – Lease under SFRS(I) 16** | |
| Interest on lease liabilities | (641) |
| Income from remeasurement and modification of lease liabilities presented in 'other income' | 45 |
| | (596) |
| **2018 – Operating lease under SFRS(I) 1-17** | |
| Lease expense | (1,542) |

Lease liabilities are payable as follows:

| | 2018 | | |
|---|---|---|---|
| | Future minimum lease payments $'000 | Interest $'000 | Present value of minimum lease payments $'000 |
| Less than one year | 38 | 8 | 30 |
| Between one and five years | 125 | 17 | 108 |
| More than five years | 23 | 3 | 20 |
| | 186 | 28 | 158 |

The Group's exposure to interest rate and liquidity risks related to finance lease liabilities is disclosed in note 23.

## 15 Trade and other payables

| | 2019 |
|---|---|
| | $'000 |
| **Company** | |
| Non-current | |
| Amount due to subsidiary | 70 |

Amount due to subsidiary is unsecured, interest bearing of 6.10% per annum and is payable in 2022.

| | Group | | Company |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| | $'000 | $'000 | $'000 |
| **Current** | | | |
| Trade payables | 103 | 400 | – |
| Other payables | 244 | 211 | 594 |
| Payables to employees | 133 | 120 | – |
| Accrued listing expenses | 498 | 203 | |
| Advances received from customers | 128 | 8 | – |
| Tax payable other than income tax | 622 | 284 | – |
| | 1,728 | 1,226 | 594 |

Taxes payable other than on income tax is mostly related to VAT payable of $452,000 and $111,000 as at 31 December 2019 and 2018, respectively.

The Group's exposures to currency risk and liquidity risk related to trade and other payables are disclosed in note 23.

## 16 Provisions

Provisions were created mainly for employees' unused vacation, year-end bonuses and withholding tax provision. The unused vacation and year-end bonuses provisions are expected to be utilised within the next 12 months.

| | 2019 | 2018 |
|---|---|---|
| | $'000 | $'000 |
| At 1 January | 881 | 1,217 |
| Provision made during the year | 901 | 667 |
| -Staff's unused vacation | 456 | 346 |
| -Staff's year-end bonuses | 445 | 321 |
| Provision used during the year | (624) | (832) |
| Provision reversed during the year | (311) | – |
| Write-off provision | (1) | – |
| Effect on movements in exchange rates | 90 | (171) |
| At 31 December | 936 | 881 |

## 17 Revenue

| | 2019 | 2018 |
|---|---|---|
| | $'000 | $'000 |
| Revenue from sale of crop production | 25,666 | 16,723 |
| Revenue from sale of livestock and milk | 9,662 | 7,485 |
| Revenue from services provided | 103 | 167 |
| | 35,431 | 24,375 |

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

| | |
|---|---|
| **Nature of goods or services** | The Group is growing, processing and distribution of agricultural and dairy products, mainly grain and milk at farms. |
| **When revenue is recognised** | Revenue is recognised when the crops, livestock and milk are collected by the customer or delivered to the customer's premises. |
| **Significant payment terms** | Invoices are issued when the products are delivered. Payment for these products is due within period of 10 days.<br>Advance payment is collected from most of the customer upon confirmation of order. Payment of the outstanding amount is due within period of 10 days from the date of the products are delivered to the customer. The Group applied the practical expedient not to recognise any financing element as the contracts are typically completed within a year. |

## 18 Cost of sales

| | 2019 | 2018 |
|---|---|---|
| | $'000 | $'000 |
| Biological assets sold | 21,400 | 10,827 |
| Wages and salaries | 5,691 | 4,796 |
| Depreciation of property, plant and equipment and amortisation of ROU assets | 2,124 | 1,625 |
| Operating lease expenses | 747 | 1,542 |
| Growing and harvesting services | 1,050 | 1,032 |
| Energy utilities | 468 | 410 |
| Taxes | 152 | 149 |
| Impairment loss on inventories relating to agriculture produce | 216 | 314 |
| Others | 1,506 | 1,322 |
| | 33,354 | 22,017 |

Biological assets sold consist of the cost of material expenses incurred and the cumulative fair value changes of the agricultural produce at the date of harvest.

## 19 Operating income and expenses

| | 2019 | 2018 |
|---|---|---|
| | $'000 | $'000 |
| **Administrative expenses** | | |
| Wages and salaries | 1,524 | 881 |
| Depreciation property, plant and equipment and amortisation of ROU assets | 25 | 26 |
| Information, consulting and other professional services | 262 | 121 |
| Operating lease expenses | 44 | 43 |
| Repair costs | 7 | 9 |
| Business travel expenses | 107 | 91 |
| Other material expenses | 65 | 68 |
| Others | 88 | 52 |
| | 2,122 | 1,291 |
| **Other operating income/(expenses)** | | |
| Government grants received | 420 | 409 |
| Impairment loss on trade and other receivables and short-term investments reversed/(made) | 4 | (252) |
| Bank services | (91) | (70) |
| Gain on disposal of property, plant and equipment | 722 | 6 |
| Reversal of withholding tax provision on interest payments in relation to promissory notes payable to Vallerd Investments Limited | 311 | – |
| Penalties | (29) | (19) |
| Other taxes | (162) | (100) |
| Impairment loss on other inventories (made)/reversed | (40) | 109 |
| Other expenses | (52) | (61) |
| Listing expenses | (1,365) | (1,027) |
| | (282) | (1,005) |

The Group as an agricultural producer recognised government grants amounting to $814,000 and $758,000 during the years ended 31 December 2019 and 2018, respectively.

The government grants recognised during the year are attributable to:

| | 2019 | 2018 |
|---|---|---|
| | $'000 | $'000 |
| Operational activities – other operating income | 420 | 409 |
| Financing activities – finance costs | 394 | 349 |
| | 814 | 758 |

## 20 Employee benefits

| | 2019 | 2018 |
|---|---|---|
| | $'000 | $'000 |
| Salaries and related expenses | (4,939) | (4,065) |
| Contributions to defined contribution plans | (1,549) | (1,315) |
| Provision made for unused vacation | (456) | (346) |
| Provision for bonuses | (445) | (321) |
| | (7,389) | (6,047) |

Employee benefits expense for the year are charged to the accounts stated as follows:

| | 2019 | 2018 |
|---|---|---|
| | $'000 | $'000 |
| Biological assets | (816) | (610) |
| Inventories | (507) | (915) |
| Cost of sales | (4,542) | (3,641) |
| Administrative expenses | (1,524) | (881) |
| | (7,389) | (6,047) |

## 21 Finance income and finance costs

| | 2019 | 2018 |
|---|---|---|
| | $'000 | $'000 |
| **Finance income** | | |
| Interest income | 204 | 158 |
| Other income | 45 | – |
| | 249 | 158 |
| **Finance costs** | | |
| Interest expense | (642) | (803) |
| Government grants compensating finance cost | 394 | 349 |
| Foreign exchange differences | (19) | (11) |
| Lease expense (2018: finance lease expense) | (641) | (17) |
| | (908) | (482) |
| **Net finance costs** | (659) | (324) |

## 22 Tax expense

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Current tax expense** | | |
| Current year | (303) | (54) |
| | (303) | (54) |
| **Total expense** | (303) | (54) |

***Reconciliation of effective tax rate***

| | 2019 | 2018 |
|---|---|---|
| Profit before tax | 5,526 | 6,442 |
| Tax at the domestic rates applicable in the respective jurisdiction (20%) | (1,105) | (1,288) |
| Tax effect of income of agricultural subsidiaries taxed at Nil% | 1,050 | 1,346 |
| Non-deductible expenses | – | (49) |
| Withholding tax on dividends | (98) | – |
| Change in unrecognised temporary differences | (150) | (63) |
| | (303) | (54) |

The income tax rate applicable to the majority of the Group's 2019 and 2018 income is 0% as activities related to agricultural production; other activities are taxed at 20% respectively.

***Unrecognised deferred tax assets***

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Tax losses | 2,035 | 1,285 |

Due to amendments to the Russian tax legislation, starting from 1 January 2017 tax losses carried forward do not expire, but may be set off only against 50% of taxable profits. The deferred tax assets are not recognised as there is no evidence of probable future taxable profits related Group's non-core activities.

***Unrecognised deferred tax liabilities***

At 31 December 2019 and 2018, deferred tax liabilities associated with the Group's investments in subsidiaries amounted to $1,454,000 and $1,461,000 respectively. These have not been recognised as the Group is able to control the timing of reversal of the difference, and reversal is not expected in the foreseeable future.

## 23 Financial risk management

***Overview***

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing those risks. Management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

## 23 Financial risk management (cont'd)

***Credit risk***

Credit risk is the potential financial loss resulting from the failure of a customer or a counter party to settle its financial and contractual obligations to the Group, as and when they fall due. Management has a credit policy in place which establishes credit limit for customers and monitors their balances on an ongoing basis.

***Trade and other receivables***

*Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| | Note | Group | | Company |
|---|---|---|---|---|
| | | 2019 | 2018 | 2019 |
| | | $'000 | $'000 | $'000 |
| Short-term bank deposits with maturities of three months or more | 9 | 3,162 | – | – |
| Trade and other receivables* | 10 | 1,247 | 194 | 1,926 |
| Cash and cash equivalents | 11 | 4,646 | 1,263 | 3 |
| | | 9,055 | 1,457 | 1,929 |

* exclude advances paid to suppliers, VAT receivables and prepaid listing expenses

The maximum exposure to credit risk for financial assets at the reporting date by customer type was:

| | Group | | Company |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| | $'000 | $'000 | $'000 |
| Corporate customers | 1,201 | 123 | – |
| Financial institutions | 7,809 | 1,263 | 3 |
| Others | 45 | 71 | 1,926 |
| | 9,055 | 1,457 | 1,929 |

The maximum exposure to credit risk for financial assets at the reporting date by geographical segment was:

| | Group | | Company |
|---|---|---|---|
| | 2019 | 2018 | 2019 |
| | $'000 | $'000 | $'000 |
| Singapore | – | – | 3 |
| Russian Federation | 9,055 | 1,457 | 1,926 |

***Trade and other receivables***

**Expected credit loss assessment for individual customers**

The Group uses an allowance matrix to measure the ECLs of trade receivables from customer. The allowance matrix is based on actual credit loss experience over the past three years. The ECLs computed is derived from the historical data which management is of the view that the historical conditions are representative of the conditions prevailing at the reporting date.

## 23 Financial risk management (cont'd)

***Trade and other receivables (cont'd)***

**Expected credit loss assessment for individual customers (cont'd)**

The Group's historical experience is that the write-offs of trade receivables fall within the recorded allowances. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

The following table provides information about the exposure to credit risk and ECLs for trade and other receivables:

| | Weighted average loss rate<br>% | Gross<br>$'000 | Impairment<br>$'000 | Credit impaired<br>$'000 |
|---|---|---|---|---|
| **31 December 2018** | | | | |
| Not past due | *% | 194 | – | No |
| Between 1 to 365 days | *% | – | – | No |
| More than one year | 100% | 7 | (7) | Yes |
| | | 201 | (7) | |
| **31 December 2019** | | | | |
| Not past due | *% | 1,247 | – | No |
| Between 1 to 365 days | *% | – | – | No |
| More than one year | 100% | 4 | (4) | Yes |
| | | 1,250 | (4) | |
| **Company** | | | | |
| **31 December 2019** | | | | |
| Not past due | *% | 1,926 | – | No |
| | | 1,926 | – | |

* *The weighted average loss rate for accounts was negligible*

**Movement in allowance for impairment in respect of trade and other receivables**

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

| | Lifetime ECL – credit impaired<br>2019<br>$'000 | <br>2018<br>$'000 |
|---|---|---|
| At 1 January | (7) | (6) |
| Impairment loss made | (3) | (2) |
| Amounts written off | 7 | – |
| Effect on movements in exchange rates | (1) | 1 |
| At 31 December | (4) | (7) |

**23 Financial risk management (cont'd)**

***Cash and cash equivalents***

Cash and bank balances are placed with banks and financial institutions which are regulated. Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and low credit risk of the exposures. The amount of the allowance on cash and cash equivalents was negligible.

***Investments***

Investments are loan issued to a related corporation and short-term bank deposits with maturities of three months or more. The Group uses a similar approach for assessment of ECLs for short term bank deposits to those used for cash and cash equivalents. Loan issued to a related corporation has been fully written down.

The following table presents an analysis of the credit quality of investments. It indicated whether assets were subject to a 12-month ECLs, or lifetime ECLs allowance and in the latter case, whether they were credit impaired:

| | **Lifetime ECL – credit impaired** | |
|---|---|---|
| | **2019** | **2018** |
| | **$'000** | **$'000** |
| **Investments** | | |
| Not impaired | – | – |
| Impaired | 251 | 228 |
| Gross carrying amounts | 251 | 228 |
| Loss allowance | (251) | (228) |
| Carrying amount | – | – |

The movement in the allowance for impairment in respect of investments during the year was as follows:

| | **Lifetime ECL – credit impaired** | |
|---|---|---|
| | **2019** | **2018** |
| | **$'000** | **$'000** |
| At 1 January | (228) | – |
| Impairment loss made | – | (228) |
| Effect on movements in exchange rates | (23) | – |
| At 31 December | (251) | (228) |

***Liquidity risk***

*Risk management policy*

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Management believes that the Group will have the continued support of its creditor-banks to renew its short-term loans as and when they fall due.

The following are the expected contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

**23 Financial risk management (cont'd)**

***Liquidity risk (cont'd)***

*Risk management policy (cont'd)*

| Group | Carrying amount $'000 | Contractual cash flows $'000 | Cash flows: Within 1 year $'000 | Cash flows: Within 1 to 5 years $'000 | Cash flows: More than 5 years $'000 |
|---|---|---|---|---|---|
| **2019** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Loans and borrowings | 5,667 | 5,904 | 4,873 | 1,027 | 4 |
| Lease liabilities | 4,974 | 7,800 | 1,122 | 3,957 | 2,721 |
| Trade and other payables* | 1,600 | 1,600 | 1,600 | – | – |
| | 12,241 | 15,304 | 7,595 | 4,984 | 2,725 |
| **2018** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Loans and borrowings | 6,879 | 7,109 | 6,035 | 1,070 | 4 |
| Finance lease liabilities | 158 | 186 | 38 | 125 | 23 |
| Trade and other payables* | 1,218 | 1,218 | 1,218 | – | – |
| | 8,255 | 8,513 | 7,291 | 1,195 | 27 |
| **Company** | | | | | |
| **2019** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Trade and other payables* | 664 | 675 | 594 | 81 | – |

* exclude advances received from customers

***Market risk***

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

**Interest rate risk**

The Group's exposure to interest rate risk relates primarily to its interest-bearing financial liabilities. The Group's objective is to maintain a balance of fixed and floating rate borrowings as well as a balanced maturity period.The Group does not hedge its exposure to changes in interest rates on interest-bearing borrowings.

| | Nominal amount 2019 $'000 | Nominal amount 2018 $'000 |
|---|---|---|
| **Fixed rate instruments** | | |
| Loans and borrowings | 5,667 | 6,879 |
| Lease liabilities (2018: finance lease liabilities) | 4,974 | 158 |
| | 10,641 | 7,037 |

**23 Financial risk management (cont'd)**

**Interest rate risk *(cont'd)***

*Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect the profit or loss.

***Foreign currency risk***

The Group has minimal exposure to foreign currency risks as transactions are mainly denominated in the respective functional currencies of the Group entities. The currencies in which these transactions primarily denominated are the EUR and USD. The changes in the exchange rates at the reporting date would not significantly affect profit or loss and equity.

**24 Contingencies and commitments**

*Insurance*

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, biological assets, business interruption, or third party liability in respect of property or environmental damage arising from accidents on the Group's property or relating to the Group's operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

*Taxation*

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities.

The tax authorities have the power to impose fines and penalties for tax arrears. A tax year is generally open for review by the tax authorities during three subsequent calendar years. Currently the tax authorities are taking a more assertive and substance-based approach to their interpretation and enforcement of tax legislation in the Russian Federation.

In addition, changes aimed at regulating tax consequences of transactions with foreign companies have been introduced, such as concept of beneficial ownership of income, taxation of controlled foreign companies, tax residency rules, etc. These changes may potentially impact the Group's tax position and create additional tax risks.

All these circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the tax authorities and courts could differ and the effect on these consolidated financial statements, if the authorities are successful in enforcing their interpretations, could be significant.

**25 Fair value of financial instruments**

(a) Determination of fair values

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

**25 Fair value of financial instruments (cont'd)**

(a) Determination of fair values (cont'd)

*Other financial assets and liabilities*

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, short-term investments, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Carrying amounts of non-current financial liabilities approximate their fair values.

(b) Accounting classification and fair value

The carrying amounts and fair values of financial assets and financial liabilities are as follows:

| **Group** | **Amortised cost $'000** | **Other financial liabilities $'000** | **Total $'000 $'000** |
|---|---|---|---|
| **2019** | | | |
| **Financial assets not measured at fair value** | | | |
| Trade and other receivables* | 1,423 | – | 1,423 |
| Investments | 3,162 | – | 3,162 |
| Cash and cash equivalents | 4,646 | – | 4,646 |
| | 9,231 | – | 9,231 |
| Financial liabilities not measured at fair value | | | |
| Loans and borrowings | – | 5,667 | 5,667 |
| Trade and other payables** | – | 1,600 | 1,600 |
| | – | 7,267 | 7,267 |
| **2018** | | | |
| **Financial assets not measured at fair value** | | | |
| Trade and other receivables* | 367 | – | 367 |
| Cash and cash equivalents | 1,263 | – | 1,263 |
| | 1,630 | – | 1,630 |
| **Financial liabilities not measured at fair value** | | | |
| Loans and borrowings | – | 6,879 | 6,879 |
| Finance lease liabilities | – | 158 | 158 |
| Trade and other payables** | – | 1,218 | 1,218 |
| | – | 8,255 | 8,255 |
| **Company** | | | |
| **2019** | | | |
| **Financial assets not measured at fair value** | | | |
| Trade and other receivables* | 1,926 | – | 1,926 |
| Cash and cash equivalents | 3 | – | 3 |
| | 1,929 | – | 1,929 |
| **Financial liabilities not measured at fair value** | | | |
| Trade and other payables** | – | 664 | 664 |
| | – | 664 | 664 |

* *exclude advances paid to suppliers and prepaid listing expenses*

** *exclude advances received from customers*

## 26 Related parties

Key management personnel compensation

Key management personnel of the Group are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

Key management received the following remuneration during the year, which is included in employee benefits expense (see note 20):

| | 2019 | 2018 |
|---|---|---|
| | $'000 | $'000 |
| Salaries and related expenses | 792 | 349 |
| Contributions to defined contribution plans | 181 | 100 |
| | 973 | 449 |

***Guarantees***

At 31 December 2019 and 2018, the Group received a number of guarantees from a related party in connection with certain bank loans obtained by the Group amounting of $5,661,000 and $6,873,000, respectively.

## 27 Earnings per share

***Basic earnings per share***

The calculation of basic earnings per share at 31 December 2019 and 31 December 2018 is based on the profit attributable to ordinary shareholders $5,223,000 and $6,389,000, respectively and the weighted-average number of ordinary shares outstanding during the year, as follows:

| | 2019 | 2018 |
|---|---|---|
| | No. of shares | No. of shares |
| Issued ordinary shares at 1 January | 100 | 100 |
| Issue of ordinary shares pursuant to the Restructuring Exercise | 9,999,900 | 9,999,900 |
| Issued ordinary shares immediately after the Restructuring Exercise | 10,000,000 | 10,000,000 |
| | | |
| Sub-division of ordinary shares via share split | 125,000,000 | 125,000,000 |
| Weighted average number of shares at 31 December | 125,000,000 | 125,000,000 |

***Diluted earnings per share***

As at 31 December 2019 and 31 December 2018 , there were no outstanding dilutive potential ordinary shares.

## 28 Operating segments

*Basis of segmentation*

The Group has the following two strategic divisions, which are its reportable segments. These divisions offer different products and are managed separately because they require different technology and marketing strategies.

**28 Operating segments (cont'd)**

*Basis of segmentation (cont'd)*

The following summary describes the operations in each of the Group's reportable segment.

| Reportable segments | Operations |
|---|---|
| Crops | It includes production and sale of agriculture produce in the Russian Federation, mainly winter wheat, sunflower and corn |
| Livestock | It includes the breeding of dairy cows for milk production and sale of livestock |

The Group's chief executive officer reviews the internal management reports of each division at least quarterly.

Other operations include other non-significant segments. None of these segments met the quantitative thresholds for reportable segments in 2018 and 2019.

There are varying levels of integration between the Crop segment and Livestock segment. This integration includes transfer of harvested crops for production of feed for dairy cow consumption. Inter-segment pricing is determined on an arm's length basis.

**Information about reportable segments**

Information related to each reportable segment is set out below. Segment profit (loss) before tax is used to measure performance because management believes that such information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

| | Reportable segments* | | | |
|---|---|---|---|---|
| | **Crops** | **Livestock** | **Total reportable segments** | **All other segments** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **2019** | | | | |
| External revenue | 25,666 | 9,662 | 35,328 | 103 |
| Inter-segment revenue | 2,142 | – | 2,142 | – |
| Segment revenue | 27,808 | 9,662 | 37,470 | 103 |
| Segment profit/(loss) before tax | 3,707 | 3,293 | 7,000 | (109) |
| Other (expenses)/income | 554 | 526 | 1,080 | 3 |
| Finance income | 181 | 68 | 249 | – |
| Finance costs | (850) | (58) | (908) | – |
| Depreciation | (2,045) | (18) | (2,063) | (86) |
| Unallocated expenses: | | | | |
| Listing expenses | – | – | – | (1,365) |
| **Segment assets** | 34,664 | 16,238 | 50,902 | 25 |
| Unallocated assets: | | | | |
| Prepaid listing expenses | – | – | – | 440 |
| Capital expenditure | 1,615 | 127 | 1,742 | – |
| **Segment liabilities** | 12,036 | 1,333 | 13,369 | 11 |
| Unallocated liabilities: | | | | |
| Accrued listing expenses | – | – | – | 498 |

**28 Operating segments (cont'd)**

**Information about reportable segments (cont'd)**

| | Reportable segments* | | | |
|---|---|---|---|---|
| | Crops $'000 | Livestock $'000 | Total reportable segments $'000 | All other segments $'000 |
| 2018 | | | | |
| External revenue | 16,723 | 7,485 | 24,208 | 167 |
| Inter-segment revenue | 2,148 | – | 2,148 | – |
| Segment revenue | 18,871 | 7,485 | 26,356 | 167 |
| Segment profit/(loss) before tax | 6,900 | 630 | 7,530 | (61) |
| Other (expenses)/income | (177) | 200 | 23 | (1) |
| Finance income | 109 | 48 | 157 | 1 |
| Finance costs | (355) | (126) | (481) | (1) |
| Depreciation | (1,345) | (168) | (1,513) | (138) |
| Unallocated expenses: | | | | |
| Listing expenses | – | – | – | (1,027) |
| Segment assets | 26,242 | 12,294 | 38,536 | 12 |
| Unallocated assets: | | | | |
| Prepaid listing expenses | – | – | – | 262 |
| Capital expenditure | 1,760 | 330 | 2,090 | 19 |
| Segment liabilities | 7,532 | 1,614 | 9,146 | 17 |
| Unallocated liabilities: | | | | |
| Accrued listing expenses | – | – | – | 203 |

* The Group initially applied IFRS 16 at 1 January 2019, which requires the recognition of right-of-use assets and lease liabilities for lease contracts that were previously classified as operating leases (see Note 5). As a result, the Group recognised $5,162,000 of right-of-use assets and $5,126,000 of liabilities from those lease contracts. The assets and liabilities are included in the Crops segment as at 31 December 2019.

## 28 Operating segments (cont'd)

### Reconciliations of information on reportable segments to SFRS(I) measures

| | 2019 | 2018 |
|---|---|---|
| | $'000 | $'000 |
| **Revenue** | | |
| Total revenue for reportable segments | 37,470 | 26,356 |
| Revenue for other segments | 103 | 167 |
| Elimination of inter-segment revenue | (2,142) | (2,148) |
| **Consolidated/Combined revenue** | 35,431 | 24,375 |
| **Profit before tax** | | |
| Total profit before tax for reportable segments | 7,000 | 7,530 |
| Loss before tax for other segments | (109) | (619) |
| Unallocated expenses: Listing expenses | (1,365) | (1,027) |
| **Consolidated/Combined profit before tax** | 5,526 | 6,442 |

| | 2019 | 2018 |
|---|---|---|
| | $'000 | $'000 |
| **Assets** | | |
| Total assets for reportable segments | 50,902 | 38,536 |
| Assets for other segments | 25 | 12 |
| Unallocated assets: Prepaid listing expenses | 440 | 262 |
| **Consolidated/Combined total assets** | 51,367 | 38,810 |
| **Liabilities** | | |
| Total liabilities for reportable segments | 13,369 | 9,146 |
| Liabilities for other segments | 11 | 17 |
| Unallocated liabilities: Accrued listing expenses | 498 | 203 |
| **Combined total liabilities** | 13,878 | 9,366 |

### Other material items

| | Reportable segment totals | Adjustments | Combined Totals |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| **2019** | | | |
| Finance income | 249 | – | 249 |
| Finance costs | (908) | – | (908) |
| Capital expenditure | 1,742 | – | 1,742 |
| Depreciation | (2,063) | (86) | (2,149) |
| **2018** | | | |
| Finance income | 157 | 1 | 158 |
| Finance costs | (481) | (1) | (482) |
| Capital expenditure | 2,090 | 19 | 2,109 |
| Depreciation | (1,513) | (138) | (1,651) |

**28 Operating segments (cont'd)**

**Geographical information**

External customers of the Group are located in the Russian Federation. The Group carries out its operations in Russian Federation and all the Group's non-current assets are located in the Russian Federation.

**Major customers**

The following are major customers with revenue equal to more than 10% of the Group's total revenue during the year:

| | 2019 | 2018 |
|---|---|---|
| | $'000 | $'000 |
| LLC Grain Service | 9,756 | 4,647 |
| JSC Voronezhsky Milk Combinat | 8,572 | 6,790 |
| LLC MEZ Yug Rusi | 4,541 | – |
| JSC Yug Rusi | 3,872 | – |
| LLC RZT | – | 5,676 |
| | 26,741 | 17,113 |

**29 Subsidiaries**

As at 31 December 2019 and 31 December 2018, the subsidiaries of the Group are as follows:

| Name of subsidiaries | Principal activities | Principal place of business | Ownership interest 2019 | Ownership interest 2018 |
|---|---|---|---|---|
| | | | % | % |
| LLC Don Agro | Production of agricultural products | Russia | 100 | 100 |
| JSC Selkhoztechnika | Lease of assets | Russia | 91.8 | 91.8 |
| JCS Rassvet | Lease of assets | Russia | 86.2 | 86.2 |
| JSC Don-Agro | Holding company | Russia | 100 | 100 |
| JSC Tetra | Holding company | Russia | 100 | 100 |
| LLC Degtevskoe | Lease of assets | Russia | 98.4 | 98.4 |
| LLC Happy Cow | Construction of livestock building | Russia | 100 | 100 |

(i) Non-controlling interests

The subsidiaries of the Company have non-controlling interest that are not material to the Group.

**30 Dividends**

| | 2019 | 2018 |
|---|---|---|
| | $'000 | $'000 |
| **Paid by the Company to ordinary holders** | | |
| *Final one-tier ordinary dividend paid of 0,693406 cents (2018:nil cents)* | 1,042 | – |

After the reporting date, The Directors proposed 0,693406 cents (2018: nil) per ordinary shares amounting to 1,042,000 S$ (2018: nil).

## 31 New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

– *Amendments to References to Conceptual Framework in SFRS(I) Standards.*

– *Definition of a Business (Amendments to SFRS(I) 3).*

– *Definition of Material (Amendments to SFRS(I) 1-1 and SFRS(I) 1-8).*

– *SFRS(I) 17 Insurance Contracts.*

## 32 Subsequent events

On 4 February 2020, in connection with the proposed initial public offering of the Company's shares, the company approved the following:

(i) the sub-division of each ordinary share in the existing issued share capital of the Company into 12.5 ordinary shares; and

(ii) the issue and allotment of 2,272,700 ordinary shares to the Sponsor and Issue Manager as part of the management fee pursuant to the Management Agreement which when allotted, issued and credited as fully paid-up, will rank pari passu in all respects with the existing issued ordinary shares.

On 14 February 2020 the Company successfully completed placing on the Catalist Board of the Singapore Exchange Securities Trading Limited. Upon placing the Company issued 23,000,000 shares representing approximately 15 percent of the Company's issued and outstanding shares (the Company's share capital was increased to 150,272,700 shares subsequently to reporting date. The Company raised approximately $5.1 million.

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Pursuant to Rule 720(5) of the Catalist Rules, the information as set out in Appendix 7F to the Catalist Rules relating to the retiring directors is set out below and to be read in conjunction with their respective biographies under the section entitled "Board of Directors" in the Annual Report 2019:

| | | |
|---|---|---|
| Date of Appointment | 28 June 2019 | 28 June 2019 |
| Date of last re-appointment (if applicable) | 29 August 2019 (Re-elected at the annual general meeting held on 29 August 2019 prior to the listing of the Company) | 29 August 2019 (Re-elected at the annual general meeting held on 29 August 2019 prior to the listing of the Company) |
| Name of director | Edwin Tham Soong Meng | Tan Han Beng |
| Age | 55 | 44 |
| Country of principal residence | Russian Federation | Singapore |
| The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process) | The Board having considered the NC's recommendations, the qualifications and working experience of Mr Edwin Tham Soong Meng, is of the view that he has the requisite experience and capabilities as Independent Director of the Company. | The Board having considered the NC's recommendations, the qualifications and working experience of Mr Tan Han Beng, is of the view that he has the requisite experience and capabilities as Independent Director of the Company. |
| Whether appointment is executive, and if so, the area of responsibility | Non-executive | Non-executive |
| Job Title (e.g. Lead ID, AC Chairman, AC Member etc.) | RC Chairman, AC member and NC member | AC Chairman, RC member and NC member |
| Professional qualifications | Bachelor of Laws (Honours)<br>Solicitor (England and Wales)<br>Advocate & solicitor (Singapore)<br>Attorney-at-law (New York) | Chartered Accountant, Singapore |
| Working experience and occupation(s) during the past 10 years | - Danilov & Partners – 2015 to present<br>- Kerensk Farm LLC – 2016 to present<br>- Allen & Overy Legal Services – 2001 to 2015 | - July 2019 to Current: UOB Kay Hian Pte Ltd – Senior Vice President, Corporate Finance<br>- 25 March 2019 to 3 May 2019: Serrano Limited – Chief Executive Officer<br>- 1 July 2014 to 31 December 2018: PrimePartners Corporate Finance Pte Ltd – Director, Corporate Finance<br>- November 2011 to June 2014: CNP Compliance Pte Ltd – Director, Continuing Sponsorship<br>- March 2010 to August 2011: Singapore Exchange – Assistant Vice President (Issuer Regulation) |
| Shareholding interest in the listed issuer and its subsidiaries | Nil | Nil |

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| | | |
|---|---|---|
| Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries | Nil | Nil |
| Conflict of interest (including any competing business) | Nil | Nil |
| Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer | Yes | Yes |
| **Other Principal Commitments Including Directorships** | | |
| Past (for the last 5 years) | Managing Partner, Allen & Overy Legal Services (until 2015)<br>Partner, Danilov & Partners<br>Director, Kerensk Farm LLC | Kitchen Culture Holdings Ltd |
| Present | As above | Challenger Technologies Limited<br>Old Chang Kee Ltd<br>Other Principal Commitments<br>UOB Kay Hian Pte Ltd- Senior Vice President, Corporate Finance |
| Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given. | | |
| (a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner? | No | No |

| | | |
|---|---|---|
| (b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? | No | No |
| (c) Whether there is any unsatisfied judgment against him? | No | No |
| (d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? | No | No |
| (e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? | No | No |

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| | | |
|---|---|---|
| (f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? | No | No |
| (g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? | No | No |
| (h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? | No | No |
| (i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? | No | No |

| | | |
|---|---|---|
| (j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:- | | |
| (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or | No | No |
| (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or | No | No |
| (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or | No | No |
| (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, | No | No |
| In connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust? | | |
| (k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? | No | No |

# SHAREHOLDINGS STATISTICS

As at 30 March 2020

| | | |
|---|---|---|
| Issued and fully paid-up share capital | : | S$40,620,886 |
| Class of shares | : | Ordinary shares |
| Number of shares issued | : | 150,272,700 |
| Voting rights | : | One (1) vote per ordinary share (excluding treasury shares and subsidiary holdings) |
| Number of treasury shares and percentage | : | Nil |
| Number of subsidiary holdings and percentage | : | Nil |

## DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

| Size of Shareholdings | No. of Shareholders | % of Shareholdings | No. of Shares | % of Shareholdings |
|---|---|---|---|---|
| 1 – 1,000 | 5 | 14.70 | 4,800 | 0.00 |
| 1,001 – 10,000 | 9 | 26.47 | 48,000 | 0.03 |
| 10,001 – 100,000 | 10 | 29.41 | 435,500 | 0.29 |
| 100,001 – 1,000,000 | 5 | 14.71 | 1,244,000 | 0.83 |
| 1,000,001 and above | 5 | 14.71 | 148,540,400 | 98.85 |
| **Grand Total** | **34** | **100.00** | **150,272,700** | **100.00** |

**LIST OF 20 LARGEST REGISTERED SHAREHOLDERS**
(as shown in the Register of Members)

| No | Name of Shareholder | No. of Shares | % of Shareholdings |
|---|---|---|---|
| 1. | EVGENY TUGOLUKOV | 117,500,000 | 78.19 |
| 2. | UOB KAY HIAN PTE LTD | 15,443,000 | 10.28 |
| 3. | MARAT DEVLET-KILDEYEV | 7,500,000 | 4.99 |
| 4. | RAFFLES NOMINEES (PTE) LIMITED | 5,824,700 | 3.88 |
| 5. | PRIMEPARTNERS CORPORATE FINANCE PTE LTD | 2,272,700 | 1.51 |
| 6. | CITIBANK NOMS SPORE PTE LTD | 541,000 | 0.36 |
| 7. | CHOO CHING KIT @ TAN CHING KIT | 227,000 | 0.15 |
| 8. | YAP HUEY HENG ALEC | 227,000 | 0.15 |
| 9. | ANGELA CHOONG CHIEW FOONG | 136,000 | 0.09 |
| 10. | LEE KANG HOE | 113,000 | 0.08 |
| 11. | LIM YAN HONG RICHARD | 87,000 | 0.06 |
| 12. | TEO YI-DAR (ZHANG YIDA) | 87,000 | 0.06 |
| 13. | WEE KIM LIEN | 70,000 | 0.05 |
| 14. | RAHEED AKBAR NARGUND | 48,000 | 0.03 |
| 15. | SEET CHEE KIONG | 33,000 | 0.02 |
| 16. | WOO KIM FONG | 29,500 | 0.02 |
| 17. | TAM KOCK FYE | 26,000 | 0.02 |
| 18. | SEOW CHYE SENG | 20,000 | 0.01 |
| 19. | SIM YEW YEN ALLAN ALEX | 20,000 | 0.01 |
| 20. | LEE BEE KIM | 15,000 | 0.01 |
| Total | | 150,219,900 | 99.97 |

*Based on the information available to the Company as at 30 March 2020, higher than 16.00% of the issued ordinary shares of the Company are held by the public and therefore, Rule 723 of the Catalist Rules has been complied with.*

**LIST OF SUBSTANTIAL SHAREHOLDERS**
(As recorded in the Register of Substantial Shareholders)

| Name of Substantial Shareholders | Direct Interest | % | Deemed Interest | % |
|---|---|---|---|---|
| EVGENY TUGOLUKOV | 117,500,000 | 78.19 | - | - |

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DonAgro

Company Registration No. : 201835258H