



KSG Agro S.A.

**Management report on
2014 achievements and
developments**

Chairman's statement

Dear investors and partners,

Now we are pleased to inform you about KSG Agro achievements and developments in 2014 financial year.

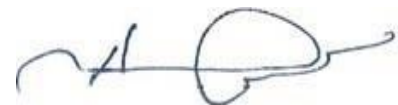
It is impossible not to mention that this year was probably the toughest in modern Ukrainian history and was full of unfavourable events and trends. The country, its society and Ukrainian businesses are faced with significant challenges, but we have clear vision and strong faith that will help us to overcome all obstacles at the way to the better future.

The Group, unfortunately, could not stay aside of problems that hit the country. Thus, the annexation of Crimea deprived KSG Agro of almost one third of its farming business. And although the war that began at the East of Ukraine have not hurt the Group directly, but it is very close to its core business activities. Dnepropetrovsk region adjoins with regions of anti-terrorists operation (ATO), and several employees of KSG Agro protect our homeland there. It is sadly to say, but there are killed and wounded among them.

Because of political and military instability, Ukrainian economy also significantly depressed. Ukrainian currency (hryvnia) considerably devalued and lost about half of its purchasing power during the year. Since assets and revenues of the Group are predominantly denominated in hryvnia whereas significant part of liabilities is denominated in foreign currencies, impact of weakening of the currency was extremely adverse. The economic situation was further complicated by continuing drop in global and Ukrainian prices on major commodities.

However, the Group has been adapting to changing business conditions and has developed new strategy, which focuses on more profitable segments. KSG Agro continues to successfully and efficiently develop its pig breeding business and achieved key operating and capacity targets set.

The Group has grounded expectations on positive results in the future. We hope that our thorough and hard work will allow us to achieve prosperity and profitability. We are optimistic that both Ukraine and KSG Agro have overcome the worse times and are at the beginning of the ascending trend.



*Chairman of the Board,
Sergiy Kasianov*

Management report

1 Strategy implementation in 2014

2 Corporate governance

3 Internal controls system

4 Financial and operational results

5 Information with respect to Article 11 of the Law of 19 May 2006 on takeover bids

6 Subsequent events

7 Business and financial risks

1. Strategy implementation in 2014

KSG Agro is one of the largest vertically integrated agricultural groups in the Dnipropetrovsk region, which works almost in all segments of the agricultural market, including production, storage, processing, and sale of the agricultural products.

As of 31 December 2014, KSG Agro is an agricultural holding with total controlled land bank of approximately 94 thousand hectares (including 28 thousand hectares in Crimea that are not controlled because of the annexation of Crimea).

In September 2014, the Company and its subsidiaries (hereinafter «the Group» or «KSG Agro» or «the Company») changed its development strategy and began to implement this new strategy.

- The Group plans to focus on pigs' breeding.
- KSG Agro intends to decrease land bank.
 - With the purpose of optimization of land bank, in June 2014, the Group sold 100% of shares in LLC "Pivdenne", agricultural entity which has 1.7 thousand hectares of arable land under lease in Kherson region of Ukraine.
- The Group undertakes steps to decrease loan burden.
 - As at 31 December 2014, KSG Agro reduced its loan portfolio by USD 31,536 thousand compared to 31 December 2013.
- In 2014, pig breeding complex worked in accordance with the business plan.
 - Construction of the second line of the pig breeding complex has been resumed in the 3rd quarter 2014 and continued in the 4th quarter after temporary suspension in the 2nd quarter.
 - During the year, 7 new buildings were constructed at the complex.
 - Production and sales of pigs (110 kg weight) increased which resulted in profitability growth.



2. Corporate governance

The Board of Directors (the "Board") observes the majority of rules of Warsaw Stock Exchange corporate governance rules included in the "Code of Best Practice for WSE Listed Companies" to the form and extent determined by the Resolution No. 19/1307/2012 of the Exchange Supervisory Board dated 21 November 2012. Code of Best Practice for WSE Listed Companies is available at the official website of the Warsaw Stock Exchange: http://www.corp-gov.gpw.pl/lad_corp.asp

The Board of Directors consists of five members, three of each hold executive role (Directors A), and two directors are non executive ones (Directors B)

Mr. Sergiy Kasianov, chairman of the Board of Directors, has a significant indirect holding of securities in the Company. No other person has a significant direct or indirect holding of securities in the Company. No person has any special rights of control over the Company's share capital.

There are no restrictions on voting rights.

Appointment and replacement of Directors and amendments to the Articles of Association

With regard to the appointment and replacement of Directors, its Articles of Association (hereafter referred as the "Articles of Association" and Luxembourg Statute comprising the Companies Law 1915 govern the Company. A general meeting of the shareholders under the quorum may amend the Articles of Associations from time to time and majority requirement provided for by the law of 10 August 1915 on commercial companies in Luxembourg, as amended.

Powers of Directors

The Board is responsible for managing the business affairs of the Company within the clauses of the Articles of Association. The Directors may only act at duly convened meetings of the Board of Directors or by written consent in accordance with article 9 of Articles of Association.

Rights of the shareholders

Articles of Association and national laws and regulation govern the operation of the shareholders meetings and their key powers, description of their rights.

Transfer of shares

Transfer of shares is governed by Articles of Association of the Company.

Changes in the Board of Directors in 2014

The EGM of the Shareholders of the Company, held on 30 June 2014, approved the resignation of Mr. Oleksandr Perov as Class A Director and appointment of Mr. Andrii Mudriievskiy as Class A Director, both effective as of 23 May 2014. The Meeting also approved the resignation of Mrs. Gwenaelle Bernadette Andree Dominique Cousin and Mr. Jakob Mudde as Class B Directors, effective as of 23 May 2014, and appointment of Mr. Xavier Soulard and Mr. Eric Tazzieri as Class B Directors, effective as of 26 May 2014.

3. Internal controls system

The Company's management is responsible for establishing and maintaining adequate controls over financial reporting process for KSG Agro S.A., which include the appropriate level of Board of Directors' involvement.

KSG Agro S.A. maintains an effective internal control structure. It consists, in particular, of organizational arrangements with clearly defined lines of responsibility and delegation of authority, and comprehensive systems and control procedures. An important element of the control environment is an ongoing internal audit program. KSG Agro S.A. system also contains monitoring mechanisms, and actions taken to correct deficiencies if they identified.

To assure the effective administration of internal controls, KSG Agro S.A. carefully selects employees, develops and disseminates oral and written policies and procedures, provides appropriate communication channels and fosters an environment conducive to the effective functioning of controls.

The Company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with Ukrainian generally adopted accounting principles and transformation to International Financial Reporting Standards as adopted by European Union;
- that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company;
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

We believe that it is essential for the Company to conduct its business affairs in accordance with the highest ethical standards, as set forth in KSG Agro S.A.

4. Financial and operational results

The following table sets forth the Company's results of operations for the years ended 31 December 2014 and 2013 derived from the Consolidated Financial Statements:

(US\$ in thousands)	31 December 2014	31 December 2013	Changes in %
Revenue	26,302	58,184	(54.8)%
Net change in fair value of biological assets and agricultural produce, net	5,908	16,001	(63.1)%
Cost of sales	(28,795)	(69,230)	58.4%
Gross profit	3,415	4,955	(31.1)%
Government grant received	2,068	3,807	(45.7)%
Selling, general and administrative expenses	(2,843)	(8,409)	66.2%
Other operating income	317	81	291.4%
Other operating expenses	(83)	-	0.0%
Operating profit	2,874	434	562.2%
Finance income	676	2,468	(72.6)%
Finance expenses	(12,966)	(14,011)	7.5%
Foreign currency exchange loss	(20,368)	(1,324)	(1,438.4)
Loss on impairment of goodwill	(623)	(6,261)	90.0%
Other expenses	(10,351)	(7,302)	(41.8)%
Gain/(Loss) on acquisition/(disposal) of subsidiaries and associates	4	(3,324)	100.1%
Gain/(Loss) on share purchase warrant	258	131	96.9%
Profit before tax	(40,496)	(29,189)	(38.7)%
Income tax expenses	1,021	587	73.9%
Profit for the year	(39,475)	(28,602)	(38.0)%
EBITDA	10,041	9,265	8.4%

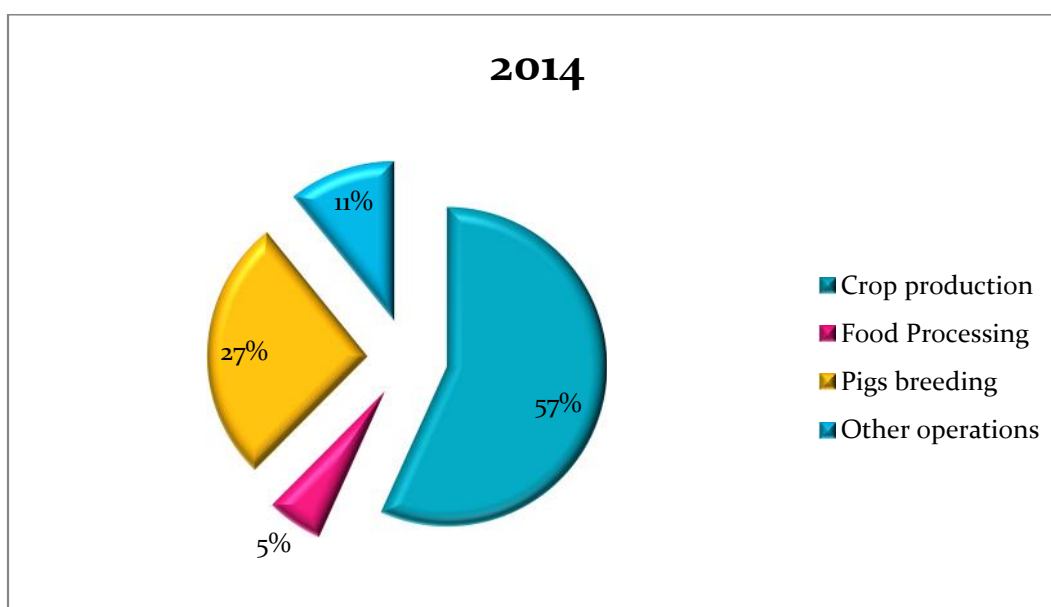
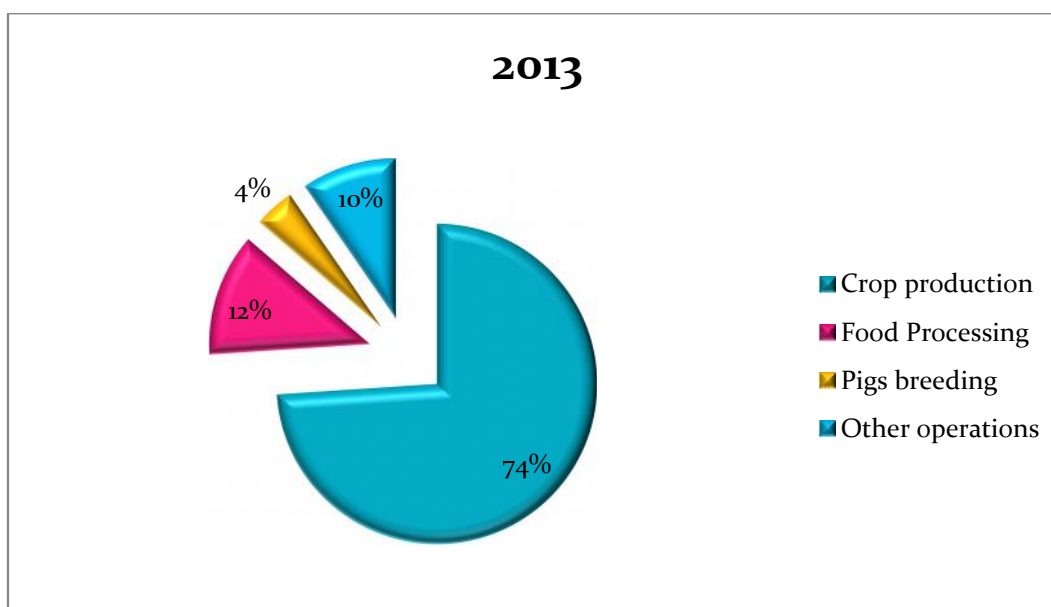
Revenue

The Company's revenue from sales of finished products decreased year-on-year by 54.8% (while cost of sales decreased by 58.4%) primarily because of less harvested and sold products when prices declined.

The main segment, crop production segment, comprises production and sales of wheat, barley, rapeseeds, sunflower, corn and other minor crops. Information about main crops harvested in year 2014 and comparative information for 2013 is as follows:

Crop in thousands tons	2014	2013
Wheat	34.1	64.1
Barley	9.4	17.5
Rapeseeds	7.9	31.1
Sunflower	18.3	41.4
Corn	2.7	30.6
Total	72.4	184.7

The following chart sets forth the Company's revenue by segments in per cent for the years indicated:



The most significant portion of the Company's revenue comes from selling sunflower, wheat, rapeseeds and corn. The following table sets forth the volume of the Company's main crops and revenues generated from the sales of such crops:

	2014	2013	Change,%
Sunflower			
Sales, USD mln	4.8	14.5	(67)%
Sales, thousands tons	17.3	45.0	(62)%
Average price, USD/ton	275	322	(15)%

Wheat

Sales, USD mln	4.1	8.9	(54)%
Sales, thousands tons	34.3	54.6	(37)%
Average price, USD/ton	120	162	(27)%

Rapeseeds

Sales, USD mln	2.3	15.2	(85)%
Sales, thousands tons	7.4	29.6	(75)%
Average price, USD/ton	313	515	(39)%

Corn

Sales, USD mln	0.9	3.2	(72)%
Sales, thousands tons	8.3	21.9	(62)%
Average price, USD/ton	109	148	(26)%

The pig breeding segment mainly represents sales of pigs and piglets. The following table describes revenues of this segment in more detail:

	2014	2013	Change,%
Pigs and piglets			
Sales, USD mln	6.9	1.6	325%
Sales, thousand heads	62.9	9.0	598.9%
Sales, tons	3,465	825	320%
Average price, USD/kg	1.97	1.96	1%

Income from changes in fair value and on initial recognition of biological assets and agricultural products, net

Income from changes in fair value and on initial recognition of biological assets and agricultural produce, decreased by 63.1% from USD 16.0 million for year ended 31 December 2013 to 5.9 million for the year ended 31 December 2014. The decrease for the year ended 31 December 2014 was mainly due to the revaluation of crops in the field, since more conservative prices of the crops, yields and increased discount rate (from 26.64% to 33.63%) were used. Besides, it is necessary to remind that sowed area is about one third less, comparing to prior period year-end (30 thousand hectares comparing to 45 thousand hectares).

Current biological assets (crops)	31.12.2014			31.12.2013		
	Area, ha	Amount, USD thsd	USD/ha	Area, ha	Amount, USD thsd	USD/ha
Wheat	14,136	2,053	145	17,610	10,866	617
Barley	5,027	269	54	7,572	2,990	395
Rapeseed	10,872	1,085	100	19,771	17,640	892
Total current biological assets	30,034	3,407		44,953	31,496	

Cost of sales

The Company's cost of sales decreased by 58.4% to USD 28.8 million for the year ended 31 December 2014 from USD 69.2 million for the year ended 31 December 2013 in line with revenue which decreased by 54.8%.

Gross profit

The Company's gross profit decreased from USD 5.0 million for the year ended 31 December 2013 to USD 3.4 million for the year ended 31 December 2014.

Cash flows

The following table sets out a summary of the Company's cash flows for the years indicated:

(in USD thousands)	2014	2013
Net cash flow from operating activities	(3,404)	(1,157)
Net cash flow from investing activities	11,763	(23,153)
Net cash flow from financing activities	(8,731)	23,402
Net cash flow for the year	(372)	(908)

5. Information with respect to Article 11 of the Law of 19 May 2006 on takeover bids

Article 11 a) the structure of their capital, including securities which are not admitted to trading on a regulated market in a Member State, where appropriate with an indication of the different classes of shares and, for each class of shares, the rights and obligations attaching to it and the percentage of total share capital that it represents.

According to article 5.1 of the articles of association of the Company (the Articles), the Company's subscribed share capital amounts to one hundred fifty thousand two hundred United States Dollars (USD 150,200.00) represented by fifteen million twenty thousand (15,020,000) shares having a nominal value of one Cent (USD 0.01) each.

All the issued share capital of the Company is admitted to listing and trading on the main market of the Warsaw Stock Exchange.

The Company bought back thirty-two thousand one hundred and seventy-two (32,172) own shares, representing 0.21% of share capital, that are accounted for as treasury shares.

Article 11 b) any restrictions on the transfer of securities, such as limitations on the holding of securities or the need to obtain the approval of the company or other holders of securities, without prejudice to article 46 of Directive 2001/34/EC.

The shares of the Company are transferred in accordance with customary procedures for the transfer of securities in Book-entry form.

Furthermore, there is no restriction in relation with the transfer of securities pursuant to article 7.5 of the Articles. The sole requirement is that any transfer shall be recorded in the register of shares of the Company.

In accordance with article 7.10 of the Articles, any shareholder, company or individual, who acquires or sells shares, including certificates representing shares of the Company, shall notify to the Company the percentage of the voting rights he/she/it will own pursuant to such acquisition or sale, in case such percentage reaches the thresholds of 5%, 10%, 15%, 20%, 33 1/3%, 50% and 66 2/3% or supersedes or falls under such thresholds. The shareholders shall also notify the Company should the percentage of their respective voting rights reach the above mentioned thresholds or supersede them or fall under such thresholds pursuant to certain events amending the voting rights repartition of the Company.

Those notification requirements apply also to certain situations as listed by article 9 of the law of 11 January 2008 on transparency obligations with respect to the information of companies which securities are listed on a regulated market.

Article 11 c) significant direct and indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) within the meaning of Directive 2004/109/EC.

The main shareholder of the Company as at 31 December 2014 is:

- ICD Investments S.A. holds nine million seven hundred and five thousand five hundred (9,705,500) shares, representing 64.62% of the issued share capital of the Company.

Article 11 d) the holders of any securities with special control rights and a description of those rights.

There are no special control rights.

Article 11 e) the system of control of any employee share scheme where the control rights are not exercised directly by the employees.

There is no employee share scheme.

Article 11 f) any restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the company's cooperation, the financial rights attaching to securities are separated from the holding of securities.

Pursuant to article 7.10 of the Articles, if a shareholder breaches the thresholds mentioned in point b) and fails to notify the Company within the period of four (4) listing days, as stated therein, the exercise of voting rights attached to the new participation exceeding the relevant threshold will be suspended.

Article 11 g) any agreements between shareholders which are known to the company and may result in restrictions on the transfer of securities or voting rights within the meaning of Directive 2004/109/EC.

To the best of our knowledge there are no such agreements.

Article 11 h) the rules governing the appointment and replacement of board members and the amendment of the articles of association.

Pursuant to article 8 of the Articles, the directors of the Company (the Directors or the Board, as applicable) are to be appointed by the general meeting of the shareholders of the Company (the General Meeting) for a period not exceeding six (6) years and until their successors are elected. Moreover, the decision to suspend or dismiss a Director must be adopted by the General Meeting with a majority of more than one-half (1/2) of all voting rights present or represented. When a legal person is appointed as Director, the legal entity must designate a permanent representative (représentant permanent) in accordance with article 51bis of the law of 10 August 1915 on commercial companies, as amended (the Company Law).

In accordance with article 20 of the Articles, the Articles may be amended from time to time by a General Meeting under the quorum and majority requirements provided for by the Company Law.

Article 11 i) the powers of board members, and in particular the power to issue or buy back shares.

Under the provisions laid down in article 5.4 of the Articles, the Board is authorized during a period expiring 5 (five) years after the publication of the present authorization in the Mémorial C, Recueil des Sociétés et Associations (i.e. 08 July 2011), to increase in one or several times the share capital of the Company within the limits of the authorized capital. The authorized capital of the Company is set at one hundred fifty thousand seven hundred forty-five United States Dollars (USD 150,745.00) represented by fifteen million seventy-four thousand five hundred (15,074,500) shares with a nominal value of one Cent (USD 0.01).

With respect to the acquisition of own shares, article 6 of the Articles establishes that the Company may acquire its own Shares to the extent permitted by law. To the extent permitted by Luxembourg law, the Board is irrevocably authorized and empowered to take any and all steps to execute any and all documents to do and perform any and all acts for and in the name and on behalf of the Company which may be necessary or advisable in order to effectuate the acquisition of the shares and the accomplishment and completion of all related actions.

According to article 11.2 of the Articles, the Board is vested with the broadest powers to perform all acts of administration and disposition in the company's interests and within the objectives and purposes of the Company. All powers not expressly reserved by law or by the Articles to the General Meeting fall within the competence of the Board.

Article 11 j) any significant agreements to which the company is a party and which take effect, alter or terminate upon a change of control of the company following a takeover bid, and the effects thereof, except where their nature is such that their disclosure would be seriously prejudicial to the company; this exception shall not apply where the company is specifically obliged to disclose such information on the basis of other legal requirements.

To the extent of our knowledge there are no such agreements.

Article 11 k) any agreements between the company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

To the extent of our knowledge there are no such agreements.

6. Subsequent events

From 31 Dec 2014 till report publishing date, the Company experienced the following significant events in its activity:

- The Company entered into negotiations with some prospective buyers about sale of part of its farming entities.

7. Business and financial risks

Weather conditions

Weather conditions are a significant operating risk affecting the Group's crop growing operations. Weather not only directly impacts crop yields, but also the cost of, and the Group's ability to complete, harvests. Weather and other aspects of growing conditions may also lead to a greater use of fertilisers and other chemicals, which may also increase costs. Accordingly, the Group is highly susceptible to changes in the growing conditions of the regions in which it operates, as determined by the weather and

otherwise, and the resulting impact on the production of crops. The Group irrigates not all land it farms and is therefore reliant on rainfall to water its crops. In the event of a shortage of rainfall the Group may lose some of its crops. Floods, heavy rainfall, snow and/or frost may also have an adverse effect on the Group's crops. The Group has no ability to control the effect of climate changes and poor weather conditions. Such factors may adversely affect the Group's business, results of operations and financial condition. But used technology of direct sowing, irrigation and proper adopting of crop rotation are main risk reducing actions.

Tax exemptions and government support, which may be discontinued in the future

Under Ukrainian law, producers of agricultural products are permitted to choose between general and special regimes of taxation with respect to certain taxes. In particular, agricultural companies engaged in the production, processing and sale of agricultural products may apply to be registered as payers of fixed agricultural tax ("FAT"), provided that their agricultural production accounts for more than 75 per cent of total production for the preceding tax (reporting) year. FAT is paid in lieu of corporate income tax, land tax, duties for geological survey works and duties for trade patents.

The Ukrainian Government provides various types of support to domestic agricultural producers by providing subsidies, including partially reimbursing interest paid on credit facilities with Ukrainian commercial banks and costs for electric power supply used for irrigation of lands, subsidies for producing seeds and planting new gardens. The aggregate amount of the above-mentioned compensations and subsidies is determined annually in the state budget. The right to reimburse interest rate paid is granted to agricultural companies based on a tender procedure, while other subsidies are paid upon application of the producer.

State support currently received by the Company could be discontinued in the future.

Price level for the Group's produce and key inputs

The Group's financial performance is largely dependent on the disposable income of its customers in Ukraine and the countries of the Group's export as well as the price of key inputs for its end products, which are mainly impacted by the respective crop harvest in Ukraine and overseas.

The selling prices and operating costs associated with producing our products are volatile and are determined by market conditions.

If any or all of these factors depress prices or increase our operating costs, our business, results of operations and financial condition may be adversely affected.

Prices for fertiliser in Ukraine are highly influenced by global fertiliser prices. In the event of a rise in fertiliser prices the Group may either reduce the amount of fertiliser it uses, thereby potentially reducing crop yields, continue to acquire similar quantities of fertiliser at a higher price, thereby incurring greater costs, or employ a combination of

these approaches. In addition, the Group purchases substantial quantities of crop protection chemicals which could also experience increases in price.

Such factors could materially affect the Group's costs and/or crop output and, as a result, the Group's business, financial condition and results of operations.

Thus risk management procedures in procurement are based on ongoing cost structure monitoring (in particular, fuel expenditure) and wholesale purchases from long-term suppliers.

Business seasonality

Due to the seasonality of the Group's business and its related short-term financing requirements, it may experience liquidity problems.

The Group is required to perform various agricultural operations, such as fertilising, planting and harvesting, during specific seasons in the agricultural calendar. The time period for completing these key operations is very limited. The Group is exposed to the risk of equipment breakdown or failure or injury to, or death of, personnel at all times. If any of these risks or other risks that may interrupt operations, such as poor weather, were realised during a key period in the agricultural calendar, the Group may have to incur significant expense to remedy the situation, which could materially and adversely affect the Group's business, financial condition and results of operations.

Due to the seasonal nature of the Group's business, the Group requires high levels of financing in the period immediately following the harvest to support the purchase of raw materials as they become available. The Group fulfils its seasonal financing requirements by obtaining credit lines from commercial banks, which are repaid in the course of the financial year or longer on the condition that its sales to customers are timely settled. If the majority of the Group's customers were unable or unwilling to fulfill their payment obligations in a timely manner, the Group would be forced to repay its credit lines from other resources, thus jeopardizing its liquidity.

Currency-related and interest rate risks

The Group is subject to currency-related and interest rate risks.

Fluctuations in the value of USD, which is the Group's reporting currency, against other currencies, such as UAH, and EUR, have in the past had, and may have in the future, an adverse effect on the Group's results of operations. All domestic sales are in UAH, which is not a freely tradable currency. The results of domestic operations are reported in UAH and then converted into USD at applicable exchange rates for inclusion in our consolidated financial statements. Moreover, although most of Group's contracts (such as lease agreements and goods supply contracts) are denominated in UAH, payments under certain of such contracts are calculated and adjusted based on the applicable exchange rate of UAH to USD or EUR on the date of payment. A change in the value of these currencies compared to UAH would have a negative effect on the Group's results of the operations. The Group also encounters currency exchange risks to the extent that it incurs operating expenses in a currency

other than that in which it has obtained financing or those in which it generates revenues.

In the ordinary course of business, the Group does not enter into hedging transactions in order to manage the exposure to foreign exchange, currency and interest rate risks. The Group cannot assure prospective investors that any hedging transaction that it may enter into in order to protect against such risks will be successful or that shifts in currency exchange rates generally will not have a material adverse effect on the financial condition or results of operations.

Risk of full scale war at the East of Ukraine and its spread on new regions

As of now, the armed conflict at the East of Ukraine is at the phase of truce, and it has not spread to new regions of Ukraine (except for parts of Donetsk and Lugansk oblasts).

However, there is no guarantee that in the case of deterioration of political situation in Ukraine or decision of attack made by any party of the conflict, escalation of military actions will not affect the operations of KSG Agro. Being located in the region adjacent to the zone of ATO, the Group is exposed to the risk that escalated armed conflict will have direct impact on its activities by either destroying or damaging constructions and equipment owned or denial of physical access and control to fields which will result in inability to harvest crops.

This risk is hard to eliminate since its actual realization or not is totally out of control of the Group's management.

Management believes it is responding appropriately to all the risks identified in order to support the sustainability of the Company's business in the current circumstances.

KSG Agro S.A.

**Unaudited
Consolidated Financial Statements**

31 December 2014

Contents

Unaudited Consolidated Statement of Financial Position.....	4
Unaudited Consolidated Income Statement.....	5
Unaudited Consolidated Statement of Comprehensive Income.....	5
Unaudited Consolidated Statement of Cash Flows.....	6
Unaudited Consolidated Statement of Changes in Equity.....	7
Notes to the Unaudited Consolidated Financial Statements.....	8-39

KSG Agro S.A.

Statement of the Board of Directors and management's responsibility for the preparation and approval of the consolidated financial statements

The following statement is made with a view to clarify responsibilities of management and Board of Directors in relation to the consolidated financial statements of the KSG AGRO S.A. and its subsidiaries (further – the Group).

The Board of Directors and the Group's management are responsible for the preparation of the consolidated financial statements of the Group as of 31 December 2014 and for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

In preparing the consolidated financial statements, the Board of Directors and management are responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making reasonable assumptions and estimates;
- Compliance with relevant IFRSs and disclosure of all material departures in Notes to the consolidated financial statements;
- Preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

The Board of Directors and management are also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS as adopted by the European Union;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

In accordance with Article 3 of the law of Luxembourg of 11 January 2008 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, we declare that, to the best of our knowledge, the consolidated financial statements for the year ended 31 December 2014, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the period of KSG Agro S.A. and its subsidiaries included in the consolidation taken as a whole. In addition, the management report includes a fair review of the development and performance of the business and the position of KSG Agro S.A. and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The unaudited consolidated financial statements as of 31 December 2014 and for the year then ended were approved on 30 April 2015.



S.V. Mazin
(Chief Executive Officer)



L.L. Omelchenko
(Chief Financial Officer)

KSG Agro S.A.**Unaudited Consolidated Statement of Financial Position**

	Note	31 December 2014 (unaudited)	31 December 2013
<i>In thousands of US dollars</i>			
ASSETS			
Non-current assets			
Property, plant and equipment	8	40,254	90,327
Intangible assets	9	6,553	19,856
Long-term biological assets	11	22,955	22,772
Promissory notes receivable		498	819
Term deposits	12	3,240	14,245
Total non-current assets		73,500	148,019
Current assets			
Current biological assets	11	5,555	32,923
Inventories and agricultural produce	10	4,047	12,981
Trade and other accounts receivable	13	16,803	31,874
Taxes recoverable and prepaid	14	1,054	6,076
Income tax prepaid		9	130
Term deposits	12	-	5,132
Cash and cash equivalents	12	(147)	131
Total current assets		27,321	89,247
TOTAL ASSETS		100,821	237,266
EQUITY			
Share capital	15	150	150
Share premium	15	37,366	37,366
Treasury shares	15	(112)	(112)
Retained earnings		(25,625)	11,352
Currency translation reserve		(15,503)	(35)
Equity attributable to the owners of the Company		(3,724)	48,721
Non-controlling interests		11,283	28,757
TOTAL EQUITY		7,559	77,478
LIABILITIES			
Non-current liabilities			
Loans and borrowings	17	28,384	43,588
Promissory notes issued	19	1,344	1,264
Deferred tax liability	25	298	2,127
Total non-current liabilities		30,026	46,979
Current liabilities			
Loans and borrowings	17	37,964	59,804
Trade and other accounts payable	18	24,551	51,257
Share purchase warrant	16	0	258
Promissory notes issued	19	294	910
Taxes payable		427	580
Total current liabilities		63,236	112,809
TOTAL LIABILITIES		93,262	159,788
TOTAL LIABILITIES AND EQUITY		100,821	237,266

Approved for issue and signed on behalf of the Board of Directors on 30 April 2015.


S.V. Mazin
(Chief Executive Officer)


L.L. Omelchenko
(Chief Financial Officer)

The accompanying notes are an integral part of these unaudited consolidated financial statements

KSG Agro S.A.**Unaudited Consolidated Income Statement**

	Note	2014 (unaudited)	2013
<i>In thousands of US dollars</i>			
Revenue	20	26,302	58,184
Gain on initial recognition at fair value and net change in fair value of biological assets less estimated point-of-sale costs	11	5,908	16,001
Cost of sales	21	(28,795)	(69,230)
Gross profit		3,415	4,955
Government grant received	14	2,068	3,807
Selling, general and administrative expenses	22	(2,843)	(8,409)
Other operating income		317	81
Other operating expenses		(83)	-
Operating (loss)/profit		2,874	434
Finance income	24	676	2,468
Finance expenses	24	(12,966)	(14,011)
Foreign currency exchange gain/(loss), net		(20,368)	(1,324)
Loss on impairment of goodwill	9	(623)	(6,261)
Other expenses	23	(10,351)	(7,302)
Gain/(Loss) on acquisition/(disposal) of subsidiaries and associates	5, 6	4	(3,324)
Gain on share purchase warrant	16	258	131
(Loss)/Profit before tax		(40,496)	(29,189)
Income tax benefit	25	1,021	587
(Loss)/Profit for the year		(39,475)	(28,602)
(Loss)/Profit attributable to:			
Owners of the Company		(36,977)	(31,567)
Non-controlling interest		(2,498)	2,965
(Loss)/Profit for the year		(39,475)	(28,602)
Earnings per share			
Weighted-average number of common shares outstanding		15,020,000	15,020,000
Basic earnings per share, USD		(2.63)	(2.01)
Diluted earnings per share, USD		(2.63)	(2.01)

Unaudited Consolidated Statement of Comprehensive Income

	2014 (unaudited)	2013
<i>In thousands of US dollars</i>		
(Loss)/Profit for the year	(39,475)	(28,602)
Other comprehensive income, net of income tax		
Currency translation differences	(30,444)	(234)
Total comprehensive income for the year	(69,919)	(28,836)
Total comprehensive income attributable to		
Owners of the Company	(52,445)	(31,783)
Non-controlling interests	(17,474)	2,947
Total comprehensive income for the year	(69,919)	(28,836)

The accompanying notes are an integral part of these unaudited consolidated financial statements

KSG Agro S.A.**Unaudited Consolidated Statement of Cash Flows**

	Note	2014 (unaudited)	2013
<i>In thousands of US dollars</i>			
Cash flows from operating activities			
(Loss) before tax		(40,496)	(29,189)
Adjustments for:			
Depreciation and amortization	8, 9	7,167	8,831
Impairment of trade and other accounts receivable	23	3,903	2,141
Impairment of VAT receivable	23	1,510	1,094
Provision for inventory	23	434	1,912
Unrealised gain on biological assets and agricultural produce		(5,908)	(16,001)
Exchange differences		20,368	-
Losses less gains on share purchase warrant	16	(258)	(131)
Loss on disposal of property, plant and equipment		235	650
Finance expenses other than share purchase warrant	24	12,966	10,779
Finance income	24	(676)	(2,161)
Loss/(Gain) on acquisition and disposal of subsidiaries	5	(4)	4,032
Goodwill impairment		623	6,261
Unwinding of discount		(205)	380
Provision of Interest expense and penalties		-	1,419
Amortization of financial instruments		-	925
Operating cash flows before working capital changes		(341)	(9,058)
Change in trade and other accounts receivable		(1,618)	(16,254)
Change in current biological assets		22,897	27,379
Change in inventories and agricultural produce		(11,572)	(19,740)
Change in trade and other accounts payable		(9,679)	26,045
Cash generated from operations		(313)	8,372
Interest paid		(3,084)	(8,835)
Income tax paid		(7)	(694)
Cash used in operating activities		(3,404)	(1,157)
Cash flow from investment activities			
Acquisition of property, plant and equipment		-	(11,916)
Proceeds from disposal of property, plant and equipment		-	1,481
Purchase of intangible assets		-	-
Acquisition of promissory notes, other than own		-	-
Disposal of subsidiaries/(assets held for sale), net of cash disposed		(12)	696
Acquisition of subsidiaries, net of cash acquired		-	(501)
Interest received		676	2,161
Term deposit received/(placed)		12,985	(10,523)
Settlement of prior year business combination liability		-	(5,655)
Disposal of assets held for sale		-	1,104
Investment payments		(1,886)	-
Net cash generated from / (used in) investment activities		11,763	(23,153)
Cash flow from financing activities			
Proceeds from bank loans and other borrowings		4,321	88,419
Repayment of bank loans		(12,883)	(62,808)
Contributions to share capital		-	1
Reorganisation of interests		-	-
Promissory note settlement		-	(143)
Repayment of financial lease liabilities		(169)	(2,067)
Net cash (used in) / received from financing activities		(8,731)	23,402
Net (decrease)/increase in cash and cash equivalents		(372)	(908)
Cash and cash equivalents at the beginning of the year		131	711
Effect of exchange rate differences on cash and cash equivalents		94	328
Cash and cash equivalents at the end of the year		(147)	131

The accompanying notes are an integral part of these unaudited consolidated financial statements

KSG Agro S.A.

Unaudited Consolidated Statement of Changes in Equity

	Note	Attributable to owners of the Company						Non-controlling interest	Total equity	
		Share capital	Share premium	Treasury shares	Prepayment for future share issue	Currency translation reserve	Retained earnings			Total attributable to owners of the Company
<i>In thousands of US dollars</i>										
Balance as at 31 December 2012		149	36,821	-	432	181	42,919	80,502	25,618	106,120
Loss for the year		-	-	-	-	-	(31,567)	(31,567)	2,965	(28,602)
Other comprehensive income		-	-	-	-	(216)	-	(216)	(18)	(234)
Total comprehensive income for the year		-	-	-	-	(216)	(31,567)	(31,783)	2,947	(28,836)
Business combinations	5	-	-	-	-	-	-	-	192	192
Shares buy-back		-	112	(112)	-	-	-	-	-	-
Issue of share capital	15	1	433	-	(432)	-	-	2	-	2
Balance as at 31 December 2013		150	37,366	(112)	-	(35)	11,352	48,721	28,757	77,478
Profit for the year							(36,977)	(36,977)	(2,498)	(39,475)
Other comprehensive loss						(15,468)		(15,468)	(14,976)	(30,444)
Total comprehensive income for the year						(15,468)	(36,977)	(52,445)	(17,474)	(69,919)
Balance as at 31 December 2014 (unaudited)		150	37,366	(112)	-	(15,503)	(25,625)	(3,724)	11,283	7,559

The accompanying notes are an integral part of these unaudited consolidated financial statements

KSG Agro S.A.

Notes to the Unaudited Consolidated Financial Statements

1. Background

KSG Agro S.A. (the "Company") was incorporated under the name Borquest S.A. on 16 November 2010 as a "Société Anonyme" under Luxembourg company law for an unlimited period. On 8 March 2012 the Company's name was changed to KSG Agro S.A.

The registered office of the Company is at 24, rue Astrid, L-1143 Luxembourg and the Company number with the Registre de Commerce is B 156 864.

The Company, its subsidiaries and joint operation (together referred to as the "Group") produces, processes and sells agricultural products and its business activities are conducted mainly in Ukraine.

The average number of employees of the Group during 2014 was 874 employees (2013: 1,449 employees).

The Group's parent is ICD Investments S.A., registered in Switzerland, and the ultimate controlling party is Mr. Sergiy Kasianov.

The primary subsidiaries and principal activities of the companies forming the Group and the Parent's effective ownership interest as at 31 December 2014 and 2013 were as follows:

Operating entity	Principal activity	Country of registration	Effective ownership ratio, %	
			31 December 2014	31 December 2013
KSG Agro S.A.	Holding company	Luxembourg	Parent	Parent
KSG Agricultural and Industrial Holding LTD	Subholding company	Cyprus	100%	100%
KSG Agro Polska	Trade of agricultural products	Poland	100%	100%
KSG Agro Representative office **	Representing activities	Poland	-	100%
KSG Energy Group LTD	Trade of pellets	Cyprus	50%	50%
Parisifia LTD	Intermediate holding company	Cyprus	50%	50%
Abbondanza SA	Trade of agricultural products	Switzerland	50%	50%
Enterprise 2 of Ukrainian agricultural and industrial holding LLC	Agricultural production	Ukraine	100%	100%
Scorpio Agro LLC	Agricultural production	Ukraine	100%	100%
Souz-3 LLC	Agricultural production	Ukraine	100%	100%
Goncharovo Agricultural LLC	Agricultural production	Ukraine	100%	100%
Agro-Trade House Dniprotsky LLC	Agricultural production	Ukraine	100%	100%
Dnipro LLC	Agricultural production	Ukraine	100%	100%
KSG Trade House LTD	Trade of agricultural products	Ukraine	100%	100%
Trade House of the Ukrainian Agroindustrial Holding LLC	Agricultural production	Ukraine	100%	100%
Pivdenne Agricultural LLC	Agricultural production	Ukraine	-	100%
Unirem Agro Plus LLC	Agricultural production	Ukraine	100%	100%
Askoninteks LLC	Agricultural production	Ukraine	100%	100%
Agro Golden LLC	Agricultural production	Ukraine	100%	100%
Agro LLC	Lessor of equipment	Ukraine	100%	100%
SPE Promvok LLC	Lessor of equipment	Ukraine	100%	100%
Dniproagrostandard LLC	Agricultural production	Ukraine	100%	100%
Dniproagroprogress LLC	Agricultural production	Ukraine	100%	100%
Meat plant Dnipro LLC	Manufacture	Ukraine	100%	100%
Hlebna Liga LLC	Trader	Ukraine	100%	100%
Agrofirma Vesna LLC	Agricultural production	Ukraine	100%	100%
Vidrodzhennya LLC	Agricultural production	Ukraine	100%	100%
Agrotrade LLC	Agricultural production	Ukraine	50%	50%
Factor D LLC	Agricultural production	Ukraine	50%	50%
Rantye LLC	Agricultural production	Ukraine	50%	50%

1. Background (continued)

Operating entity	Principal activity	Country of registration	Effective ownership ratio, %	
			31 December 2014	31 December 2013
Agrotechnologiya LLC	Oil processing	Ukraine	51%	51%
PrJSC Pererobnyk	Flour and animals' feed producing	Ukraine	25%	25%
Agroplaza LLC	Intermediate holding company	Ukraine	49,95%	49,95%
Stepove LLC	Agricultural production	Ukraine	49,93%	49,93%
Dzherelo LLC	Agricultural production	Ukraine	49,95%	49,95%
Kolosyste LLC	Agricultural production	Ukraine	49,95%	49,95%
Hlebodar LLC *	Agricultural production	Ukraine	49,95%	49,95%
Ukrzernoprom - Prudy LLC *	Agricultural production	Ukraine	50,00%	50,00%
Ukrzernoprom - Uytne LLC *	Agricultural production	Ukraine	50,00%	50,00%
Ukrzernoprom - Kirovske LLC *	Agricultural production	Ukraine	50,00%	50,00%
Ukrzernoprom - Yelizavetove LLC *	Agricultural production	Ukraine	50,00%	50,00%
KSG Dnipro LLC (SFG Bulah LLC)	Agricultural production	Ukraine	100%	100%

Companies marked with * are located in Crimea. The Group has no operating control on them, so net assets of these companies were written off to zero. Representative office in Poland (**) was closed in January 2014.

These consolidated financial statements are presented in thousand US dollars ("USD"), unless otherwise stated.

2. Operating Environment

The Ukrainian economy, while deemed to be of market status, continues to display certain characteristics consistent with that of an economy in transition. These characteristics include, but are not limited to, low levels of liquidity in the capital markets, high inflation and the existence of currency controls which cause the national currency to be illiquid outside of Ukraine. The stability of the Ukrainian economy is significantly impacted by the Government's policies and actions with regard to administrative, legal, and economic reforms. As a result, operations in Ukraine involve risks that are not typical for more developed markets.

The Ukrainian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The country is experiencing a decline in gross domestic product, capital markets instability, significant deterioration in the liquidity of the banking sector, and tighter credit conditions.

While the Ukrainian government continues to introduce various stabilisation measures aimed at supporting the banking sector and providing liquidity to Ukrainian banks and companies, there continues to be uncertainty regarding access to capital and its cost for the Group and its counterparties. In addition, the government has in the past introduced temporary restrictions on agricultural exports and introduced quotas to protect the domestic agriculture markets.

These matters could affect the Group's financial position, results of operations and business prospects.

3. Summary of Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and as adopted by the European Union. These consolidated financial statements have been prepared under the historical cost convention, as modified by the initial recognition of a share purchase warrant at fair value and the recognition of biological assets and agricultural produce based on fair value less estimated costs to sell.

Going concern assumption. The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which assumes continuity of operations and realization of assets and satisfaction of liabilities in the ordinary course of business.

The main assumptions used for the budget have been estimated by the management of the Group, based on their knowledge of their local market at a date near the approval of the consolidated financial statements.

Consolidated financial statements. Subsidiaries are those companies and other entities in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain benefits. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

3. Summary of Significant Accounting Policies (continued)

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and the fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews the appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition and incurred for issuing equity instruments are deducted from equity and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest is recorded as a separate component of the Group's equity.

Goodwill. Goodwill on acquisitions of subsidiaries is presented within intangible assets in the consolidated statement of financial position. It is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business from which the goodwill arose. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

Purchases and sales of non-controlling interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

Joint operations. The Group accounts for the interest in the joint operations to the extent of:

- the assets that it controls and the liabilities that it incurs; and
- the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint venture.

Financial instruments*Key measurement terms*

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and the current asking price for financial liabilities which are quoted in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

3. Summary of Significant Accounting Policies (continued)

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure at fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place.

Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

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

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

Classification of financial assets. The Group classifies its financial assets as loans and receivables. Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term. Loans and receivables are accounted for at amortized cost using the effective interest method, net of provision for impairment after their initial evaluation. Loans and receivables that mature more than 12 months after the consolidated statement of financial position date are included into non-current assets. The Group's financial assets are term deposits, trade and other accounts receivable, cash and cash equivalents.

Classification of financial liabilities. Financial liabilities within the scope of IAS 39 are classified as financial liabilities through profit or loss and other financial liabilities. The Group determines the classification of its financial liabilities at initial recognition. The Group's financial liabilities include trade and other accounts payable, loans and borrowings, finance lease, promissory notes issued and derivative financial liability on warrants issued. Derivative financial liability on warrants issued is measured at fair value through profit or loss. Other financial liabilities are carried at amortised cost.

Initial recognition of financial instruments. Derivatives are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

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

Land lease rights. Land lease rights acquired in business combinations are initially recognised at their fair value and subsequently are carried at cost less accumulated amortisation and impairment losses. When agreements on the right to lease land are renegotiated, the Group capitalises incurred costs relating to the agreement prolongation and revises useful lives of land lease rights based on the prolonged term.

3. Summary of Significant Accounting Policies (continued)

Property, plant and equipment. Property, plant and equipment items are stated at cost less accumulated depreciation and, where applicable, accumulated impairment losses. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects, if the recognition criteria are met. All repair and maintenance costs are expensed as incurred. An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised. The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Construction-in-progress represents the cost of properties, plant and equipment which have not yet been completed less any accumulated impairment. This includes cost of construction works, cost of plant and equipment and other direct costs.

The Group leases the land on which its operations are located under operating lease agreements and therefore land is not included in the consolidated financial statements.

At each end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised in profit or loss.

Depreciation. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	<u>Useful lives in years</u>
Buildings and structures	5-30
Agricultural equipment	3-15
Vehicles and office equipment	3-17

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

Income taxes. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within operating expenses.

3. Summary of Significant Accounting Policies (continued)

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill, and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Fixed agricultural tax. The Company's subsidiaries in Ukraine engaged in the production, processing and sale of agricultural products may opt for paying a fixed agricultural tax ("FAT") in lieu of corporate income tax, land tax, duties for special use of water objects, municipal tax, vehicle tax, duties for geological survey works and duties for trade patents if the revenues from sale of their self-grown agricultural products constitute not less than 75% of their total gross revenues. The amount of FAT is assessed at 0.15% on the deemed value of the land plots owned or leased by the entity (as determined by the relevant State authorities). As at 31 December 2014, 25 Ukrainian subsidiaries of the Group elected to pay FAT (31 December 2013: 22). The rest of the Group's entities are subject to regular income tax.

Value added tax. In Ukraine VAT is levied at two rates: 20% on sales and imports of goods within the country, works and services and 0% on the export of goods and provision of works or services to be used outside Ukraine. Output VAT on the sale of goods and services is accounted for on the date the goods/services are delivered to a customer or the date the payment is received from the customer, whichever is earlier. Input VAT is accounted for as follows: entitlement to an input tax credit for purchases arises when VAT invoice is received which is issued on the earlier of the date of payment to the supplier or the date, on which the goods/services are received or entitlement to an input tax credit for imported goods or services arises on the date the tax is paid.

VAT related to sales and purchases is recognised in the statement of financial position on a net basis and disclosed as an asset or liability to the extent it has been recorded in VAT declarations. Prepayments issued and prepayments received are disclosed in these consolidated financial statements net of VAT balances as it is expected that such balances will be settled by delivery of the underlying product or service.

The Group's subsidiaries involved in the production and sale of agricultural produce and that meet certain other criteria are subject to a privileged VAT regime. For such qualifying entities, the net VAT payable is not transferred to the State authorities, but is retained in the business for use in agricultural production. Such net VAT liabilities are credited to profit and loss as government grants.

Government grants. According to the Ukrainian VAT legislation VAT which agricultural producers charge on sales of agricultural produce, net of VAT paid on purchases, is not transferred to the State budget but can be retained for use in agricultural production. These government grants are recognised in profit or loss for the year once the Group makes the qualifying expenditures on agricultural supplies or equipment.

Biological assets. Biological assets represent crops in the field and livestock and are measured at fair value less costs to sell.

Crops in the field. The fair value of crops in the field is determined by using valuation techniques, as there is no market for winter crops and other long-term crops of the same physical condition. The fair value of the Group's biological assets is calculated as the present value of anticipated future cash flows from the asset before tax. The fair value calculation of crops in the field is based on the existing field under crops and the assessments regarding expected crop yield on harvest, time of harvest, future cultivation, treatment, harvest costs and selling prices. The discount rate is determined by reference to current market determined pre-tax rate.

Livestock. The fair value of livestock is determined by using valuation techniques, as there is no market for pigs and cows of the same physical conditions, such as weight, age, breed and milking capacity. The fair value of livestock is based on expected volume of milk produced during the productive lives of the dairy cattle, litter of piglets, expected volume of meat at the date of slaughter, respective anticipated prices, average expected productive lives of the livestock and future production costs. The discount rate is determined by reference to current market determined pre-tax rate.

3. Summary of Significant Accounting Policies (continued)

A gain or loss arising on initial recognition of a biological asset at the fair value less costs to sell and from a change in the fair value less costs to sell of a biological asset at each subsequent reporting date is included in income statement in the period in which it arises.

The biological assets are classified as current or non-current depending on the expected pattern of consumption of the economic benefits embodied in the biological assets. Dairy cattle and long-term crops are classified as non-current and livestock husbandry and winter crops are classified as current biological assets.

Cost of agricultural preparation of fields before seeding is recorded as work-in-progress in inventories. After seeding the cost of field preparation is reclassified to biological assets held at fair value.

Agricultural produce. Agricultural produce harvested from the Group's biological assets is measured at its fair value less estimated costs to sell at the point of harvest.

Inventories. Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the first in first out basis. The cost of work in progress comprises fuel and other raw material, direct labour, depreciation and amortization, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Trade and other receivables. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Advances issued. Advances issued to suppliers are carried at cost less provision for impairment. An advance issued is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the advance relates to an asset which will itself be classified as non-current upon initial recognition. Advances issued to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other advances are written off to profit or loss when the services relating to the advances are received. If there is an indication that the assets or services relating to an advance will not be received, the carrying value of the advance is written down accordingly and a corresponding impairment loss is recognised in profit or loss.

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

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

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

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

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

3. Summary of Significant Accounting Policies (continued)

Cash and cash equivalents. Cash and cash equivalents includes cash on hand, deposits held at call with banks, and other short-term, highly liquid investments with original maturities of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash as defined above, net of outstanding bank overdrafts, if any.

Non-current assets classified as held for sale. Non-current assets are classified in the statement of financial position as “non-current assets held for sale” if their carrying amount will be recovered principally through a sale transaction within twelve months after the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group’s management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year; and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Non-current assets classified as held for sale in the current period’s statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Share capital. Ordinary shares are classified as equity. Share premium is the difference between the fair value of the consideration received for the issue of shares and the nominal value of the shares. The share premium account can only be used for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the legislation in Luxembourg on reduction of share capital.

Loans and borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently carried at amortised cost using the effective interest method. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Trade and other payables. Trade payables are accrued when the counterparty performs its obligations under the contract and are carried at amortised cost using the effective interest method.

Financial assistance payable. Financial assistance payable is initially recognised at the fair value and carried at amortised cost using the effective interest method. Financial assistance is disclosed within trade and other payables.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Employee benefits - defined contribution plan. The Group makes statutory unified social contribution to the Pension Fund of Ukraine in respect of its Ukrainian based employees. The contributions are calculated as a percentage of current gross salary and are expensed when incurred.

Wages, salaries, unified social contribution to Pension Fund of Ukraine, paid annual leave and sick leave, bonuses are accrued in the year in which the associated services are rendered by the employees of the Group.

3. Summary of Significant Accounting Policies (continued)

Functional and presentation currency. The currency of each consolidated entity is the currency of the primary economic environment in which the entity operates. The functional currency for the majority of the consolidated entities is the Ukrainian hryvnia. As the Group's management uses USD when monitoring operating results and financial conditions of the Group, the presentation currency of the financial statements is USD. All information in USD has been rounded to the nearest thousand, except when otherwise indicated. The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Transactions denominated in currencies other than the relevant functional currency are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation of foreign currency denominated monetary assets and liabilities at year end, are recognized in profit or loss. Translation at year end does not apply to nonmonetary items including equity investments. The effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

When control over a foreign operation is lost, the previously recognised exchange differences on translation to a different presentation currency are reclassified from other comprehensive income to profit or loss for the year as part of the gain or loss on disposal. On partial disposal of a subsidiary without loss of control, the related portion of accumulated currency translation differences is reclassified to non-controlling interest within equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The exchange rates used for translating foreign currency balances were:

	2014	2013
USD/UAH as of 31 December	15.7686	7.9930
USD/UAH average for the year	11.8739	7.9930
EUR/UAH as of 31 December	19.2239	11.0415
EUR/UAH average for the year	15.6833	10.6116

Revenue recognition. Revenues from sales of goods are recognised at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped. If the Group agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point.

Revenues from rendering of services are recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Revenues are shown net of Value Added Tax and discounts. Revenues are measured at the fair value of the consideration received or receivable.

Recognition of expenses. Expenses are accounted for on an accrual basis. Cost of goods sold comprises the purchase price, fair value of agricultural produce, transportation costs, commissions relating to supply agreements and other related expenses.

Finance income and costs. Finance income and costs mainly comprise interest income and cash and cash equivalents and bank deposits, interest expense on borrowings and finance leases and exchange differences on borrowings.

Segment reporting. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the Group's accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next year are:

Biological assets.

In the absence of observable market prices for biological assets in their condition at the reporting dates, the fair value of biological assets was estimated as the present value of future net cash flows expected to be generated from the assets discounted at a current market-determined pre-tax rate.

Fair values of biological assets are based on the following key assumptions:

- expected crop yield on harvest is based on an assessment performed by an independent inspector;
- the average productive life of livestock is determined based on internal statistical information;
- market prices for grains, milk and meat are obtained from external sources (commodity exchanges, purchase prices stipulated by the State Reserve Fund in Ukraine etc.);
- cultivation, treatment, harvesting and production costs, including land lease costs are projected based on historical information and adjusted, where necessary, to conform with new raw materials and production techniques currently in use;
- time of harvest is estimated based on the historical data;
- the discount rate is estimated as weighted average cost of capital determined using the capital asset pricing model.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between estimates and actual numbers. The key assumptions used to determine the fair value of biological assets presented in Note 11.

Agricultural produce. Agricultural produce is the harvested product of the Group's biological assets. It is recorded at its estimated fair value less costs to sell, at the point of harvest. The determination of fair value for a biological asset or agricultural produce is facilitated by grouping the produce according to significant attributes; for example, by type or quality. The fair value of each group of agricultural produce at the end of the reporting period is determined as lower of the available average market price for similar products at the point of harvest and net realizable value. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between estimates and actual numbers. A 10% increase or decrease in market prices compared to the selling prices used would result in an increase or decrease in the fair value of agricultural produce of USD 146 thousand (31 December 2013: an increase or decrease in the fair value of agricultural produce of USD 638 thousand).

Goodwill. Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in the future periods.

Useful lives. Management estimates are necessary to identify the useful lives of property, plant and equipment. Management uses its expertise and judgment in reassessing the remaining useful lives of major items at each reporting date.

Subsidiaries. The Group consolidates the result of Parisifia Trading Ltd (Cyprus), KSG Energy Group Ltd (Cyprus) and Abondanza S.A. (Switzerland) although it only holds 50% of the voting rights, because it has the power to govern its financial and operating policies through arrangements with the other 50% shareholder. The Group also consolidates the results of Pererobnyk PrJSC, a company in which it holds 50% of the voting rights, because it has the power to govern its financial and operating policies through its sole presence in the supervisory and management boards of the company and ability to determine remuneration of its representatives in these governance bodies. Majority of the supervisory and management board members are employees of other entities of the Group. Judgement is required to determine whether the substance of the relationship between the Group and a subsidiary indicates that the entity is controlled by the Group. In making this judgement management considered arrangements with the other shareholders of the subsidiary.

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

Fair value measurement. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

5. Business Acquisitions and Disposals

Gain/(loss) on acquisition/(disposal) of subsidiaries and associates consists of the following:

<i>In thousands of US dollars</i>	2014 (unaudited)	2013
Gain/(loss) on acquisition/(disposal) of subsidiaries	(77)	605
Loss on associates' disposal	-	(3,929)
Write off of Crimean companies	81	-
Total net gain/(loss)	4	(3,324)

On 18 June 2014 the Board of Directors took decision and disposed 100% of shares in LLC "Pivdenne" for the amount of USD 0.1 thousand. There were no other acquisitions or disposals of shares in subsidiaries in the year.

<i>In thousands of US dollars</i>	LLC "Pivdenne"
Voting right disposed	(100.00%)
Effective interest attributable to the owners of the Company	(100.00%)
Biological assets (crops in the field)	197
Cash and cash equivalents	1
Fair value of accounts receivable	803
Accounts payable	(838)
Loans	(86)
Fair value of 100% of net assets	77
Less recognised/plus derecognised non-controlling interest	-
Plus goodwill	-
Less loss on bargain sale	(76.9)
Total purchase consideration	0.1
Cash and cash equivalents disposed	1
Outflow (+) / inflow (-) of cash on disposal	0.9

The deemed disposal (write-off) of Crimean companies resulted in the following:

5. Business Acquisitions and Disposals (continued)

<i>In thousands of US dollars</i>	Yelizavetove	Kirovske	Prudy	Uyutne	Hlebodar	Total
Voting right acquired (+)/dispoised (-)	(100.00%)	(100.00%)	(100.00%)	(100.00%)	(100.00%)	
Effective interest attributable to the owners of the Company	(50.00%)	(50.00%)	(50.00%)	(50.00%)	(50.00%)	
Property, plant and equipment	148	124	258	724	514	1,768
Land lease rights	263	600	172	307	163	1,505
Biological assets (Crops in the field)	84	75	120	81	94	454
Inventories and agricultural produce	110	89	180	608	27	1,014
Cash and cash equivalents	2	11	-	1	-	14
Fair value of accounts receivable	101	360	85	338	486	1,370
Accounts payable	(1,176)	(1,401)	(1,352)	(2,444)	(916)	(7,289)
Loans	(12)	(88)	(40)	(260)	(23)	(423)
Fair value of 100% of net assets	(480)	(230)	(577)	(645)	345	(1,587)
Plus derecognised non-controlling interest	(452)	510	502	692	256	1,508
Plus translation difference	157	33	16	(56)	10	160
Gain / (Loss) on disposal	(775)	313	(59)	(9)	611	81
Total purchase consideration	-	-	-	-	-	-
Cash and cash equivalents disposed	2	11	-	1	-	14
Outflow (+) /inflow (-) of cash on acquisition/disposal	2	11	-	1	-	14

During 2013 the Group acquired control over SFG Bulah LLC and disposed control over two subsidiaries: Agro-Dnestr LLC and World Food LLC.

In 2013, a 100%-owned subsidiary of the Group acquired control over SFG Bulah LLC, a company incorporated in Ukraine, through acquisition of 100% of its corporate rights for cash consideration of USD 501 thousand. The Group consolidated SFG Bulah LLC starting from 31 October 2013. The Group acquired this entity to expand its crop production business and increase its land bank.

In September/October 2013 the Board of Directors of the Group announced its decision to dispose subsidiaries Agro Dnestr LLC and World Food LLC. The businesses of these entities have been operating in the field of crop production and trade operations in Ukraine respectively.

<i>In thousands of US dollars</i>	SFG Bulah LLC	Agro-Dnestr LLC	World Food LLC	Total
Voting right acquired (+)/dispoised (-) (Note 4)	100.00%	(99.90%)	(99.00%)	
Effective interest attributable to the owners of the Company	100.00%	(99.90%)	(49.50%)	
Land lease rights (Note 9)	475	-	-	475
Biological assets (Crops in the field)	-	201	-	201
Inventories and agricultural produce	604	282	46	932
Cash and cash equivalents	-	3	3	6
Fair value of accounts receivable	545	133	578	1,256
Accounts payable	(1,020)	(867)	(959)	(2,846)
Fair value of 100% of net assets	604	(248)	(332)	24
Less recognised/plus derecognised non-controlling interest	-	-	192	192
Plus goodwill	-	-	188	188
Less gain on bargain purchase/sale	(103)	(470)	(32)	(605)

Total purchase consideration	501	(718)	16	(201)
Less: unpaid amount	-	-	-	-
Cash and cash equivalents acquired	-	3	3	6
Outflow (+) /inflow (-) of cash on acquisition/disposal	501	(715)	19	(195)

In 2011 the Group entered into a joint operation arrangement with Dobrobut (Ukraine) which has the right to use 25 thousand hectares of land in the Dnipropetrovsk and Crimea regions of Ukraine. Under this arrangement the Group has the right to cultivate the land of Dobrobut and to harvest the crops from this land in exchange for a fee of USD 60 per hectare payable starting from 1 January 2015. During 2014 Group continued joint operations with Dobrobut relating to crop production.

6. Non-current Assets Held for Sale

During 2013 the Group sold a non-controlling interest in three bread factories, namely 48% interest in PJSC Krivorizhskiy Hlibokombinat #1, 46% interest in PJSC KrivorizhHlib and 31% interest in PJSC Zhovtovodskiy hlibokombinat for USD 1,103 thousand, thus loss on this transaction amounting to USD 3,929 thousand was recognized in the income statement.

7. New Accounting Pronouncements

The following standards and amendments became effective as of 1 January 2013:

- IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)
- IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
- IFRS 13 Fair Value Measurement and disclosure

Improvements to IFRSs 2009-2011 Cycle:

- IAS 1 – Presentation of items of Other Comprehensive Income (Amendments to IAS 1)
- IFRS 1 – Borrowing Costs
- IAS 16 – Classification of servicing equipment
- IAS 32 – Tax effects of distributions to holders of equity instruments

New IFRS standards and interpretations applicable from 2014 onward:

The following Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for annual periods beginning on 1 January 2013. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these Standards early.

Standards and Interpretations adopted by the EU:

- IAS 27 “Separate Financial Statements” (revised 2011) – Investment entities (effective for annual periods beginning on or after 1 January 2014)
- IFRS 10 “Consolidated Financial Statements” (effective for annual periods beginning on or after 1 January 2014)
- IFRS 11 “Joint Arrangements” (effective for annual periods beginning on or after 1 January 2014)
- IFRS 12 “Disclosure of Interests in Other Entities” (effective for annual periods beginning on or after 1 January 2014)
- IAS 28 “Investments in Associates and Joint Ventures” (effective for annual periods beginning on or after 1 January 2014)
- IAS 32 (Amendments) “Financial instruments: Presentation”– Application guidance on the offsetting of financial assets and financial liabilities (effective for annual periods beginning on or after 1 January 2014)
- IAS 36 (Amendments) “Recoverable amounts disclosures for non-financial assets (effective for annual periods beginning on or after 1 January 2014)

KSG Agro S.A.

Notes to the Unaudited Consolidated Financial Statements

- IFRS 7 (Amendments) “Financial instruments: Disclosures” – Disclosures about the initial application of IFRS 9 (effective for annual periods beginning on or after 1 January 2015)
- IFRS 9 “Financial Instruments: Classification and Measurement and Accounting for financial liabilities and derecognition”¹ (effective for annual periods beginning on or after 1 January 2015)

8. Property, Plant and Equipment

Movement of property, plant and equipment for the year ended 31 December 2014 and 2013 was as follows:

<i>In thousands of US dollars</i>	Buildings	Agricultural equipment	Vehicles and office equipment	Construction in progress	Total
At 1 January 2013					
Cost	49,828	25,860	5,339	3,881	84,908
Accumulated depreciation	(2,516)	(4,749)	(1,154)	-	(8,419)
Carrying amount as at 1 January 2013	47,312	21,111	4,185	3,881	76,489
Additions	903	4,627	3,058	14,506	23,094
Disposals	(284)	(871)	(976)	-	(2,131)
Depreciation charge	(2,894)	(3,085)	(1,146)	-	(7,125)
Carrying amount as at 31 December 2013	45,037	21,782	5,121	18,387	90,327
At 31 December 2013					
Cost	51,089	30,427	7,808	18,387	107,711
Accumulated depreciation	(6,052)	(8,645)	(2,687)	-	(17,384)
Carrying amount as at 31 December 2013	45,037	21,782	5,121	18,387	90,327
Additions	65	8	270	1,187	1,530
Disposals	(881)	(2,182)	(1,013)	(531)	(4,607)
Transfers	701	86	2,884	(3,671)	-
Depreciation charge	(1,957)	(1,994)	(1,012)	-	(4,963)
Exchange differences	(21,806)	(9,810)	(2,916)	(7,501)	(42,033)
Carrying amount as at 31 December 2014 (unaudited)	21,159	7,890	3,334	7,871	40,254
At 31 December 2014					
Cost	29,168	18,529	7,033	7,871	62,601
Accumulated depreciation	(8,009)	(10,639)	(3,699)	-	(22,347)
Carrying amount as at 31 December 2014 (unaudited)	21,159	7,890	3,334	7,871	40,254

During 2014 the Group capitalised borrowing costs in amount of USD 546 thousand (2013: USD 841 thousand) on the construction of a pig-breeding complex (Note 24) using average rate of 18% (2013: 18%).

Included in agricultural equipment are assets held under finance leases with a carrying value of USD 1,095 thousand (2012: UAH 8,082 thousand) (Note 17). For amount of property, plant and equipment pledged to secure bank loans refer to Note 17.

9. Intangible Assets

<i>In thousands of US dollars</i>	31 December 2014 (unaudited)	31 December 2013
Goodwill	3,836	8,816
Land lease rights	2,699	11,037
Other	18	3
Total intangible assets	6,553	19,856

KSG Agro S.A.

Notes to the Unaudited Consolidated Financial Statements

9. Intangible Assets (continued)

The following table represents movements in the goodwill:

<i>In thousands of US dollars</i>	2014 (unaudited)	2013
Carrying amount as at 1 January	8,816	15,265
Goodwill impairment	(623)	(6,261)
Goodwill arising on acquisition/(disposal) of subsidiaries (Note 5)	-	(188)
Exchange differences	(4,357)	-
Carrying amount as at 31 December	3,836	8,816

Goodwill is allocated to cash-generating units ("CGUs") which represent the lowest level within the Group at which goodwill is monitored by management. Goodwill is allocated to the following CGUs:

<i>In thousands of US dollars</i>	Note	31 December 2014 (unaudited)	31 December 2013
Kovbasna Liga		-	-
Soyuz-3		2,828	5,583
Unirem Agro		526	1,036
Agrotehnologiya	5	-	923
Other		482	1,274
Total goodwill		3,836	8,816

The Group performed its annual impairment test in December 2014. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment.

Kovbasna Liga CGU. The recoverable amount of this CGU as at 31 December 2013 has been determined based on value in use calculation using cash flow projection from financial budgets approved by Management covering 5 years period. The pre-tax discount rate applied to cash flow projections is 27.68%. It was concluded that value in use is lower than carrying amount of goodwill relating to Kovbasna Liga CGU. As a result of this analysis, Management has recognized an impairment charge of USD 6,261 thousand against this goodwill as at 31 December 2013.

Crop production CGUs (Soyuz-3, Unirem Agro, Agrotehnologiya, Other). The recoverable amount of these CGUs as at 31 December 2014 has been determined based on value in use calculation using cash flow projection from financial budgets approved by Management covering 5 years period. The pre-tax discount rate applied to cash flow projections is 33.63%. Other significant assumptions include crop yields and crop prices. Crop yields were derived based on average yields of the Group achieved in the five years preceding the budgeted period. For the purpose of impairment testing, the Group conservatively did not budget for any increase in yields. Crop prices were based on actual prices for the year preceding the budgeted year adjusted based on the commodity price forecasts. As a result, goodwill allocated to Agrotehnologiya LLC was impaired in full by USD 468 thousand, goodwill allocated to Dnipro LLC (part of Other) was impaired in full by USD 29 thousand and goodwill allocated to Agro-Golden LLC (part of Other) was impaired by USD 126 thousand. Goodwill allocated to all other companies is not impaired since their value-in-use exceeds their carrying value.

Movements in the carrying amount of land lease rights were as follows:

<i>In thousands of US dollars</i>	2014 (unaudited)	2013
At 1 January		
Cost	14,810	14,335
Accumulated amortisation	(3,773)	(2,067)
Carrying amount as at 1 January	11,037	12,268
Acquisition / (Disposal)	(1,641)	475
Amortization charge	(2,204)	(1,706)
Exchange differences	(4,493)	-
At 31 December		
Cost	3,830	14,810
Accumulated amortisation	(1,131)	(3,773)
Carrying amount as at 31 December	2,699	11,037

10. Inventories and Agricultural Produce

<i>In thousands of US dollars</i>	31 December 2014 (unaudited)	31 December 2013
Agricultural produce	1,123	4,629
Work in progress	1,025	2,555
Building materials	85	844
Agricultural stock	1,257	2,873
Goods for resale	177	655
Spare parts	93	207
Fuel	144	459
Other	143	759
Total inventories and agricultural produce	4,047	12,981

Agricultural produce consists mainly of sunflower, wheat and barley (31 December 2013: sunflower, wheat and corn).

11. Biological Assets

	<u>2014 (unaudited)</u>		<u>2013</u>	
	Units	Amount	Units	Amount
Non-current biological assets (livestock)				
Cattle	403	235	622	931
Pigs	4,566	22,366	4,169	15,332
	Area, ha	Amount	Area, ha	Amount
Non-current biological assets (crops)				
Lucerne	688	215	1,977	6,281
Other perennial grasses	-	139	-	228
Total non-current biological assets		22,955		22,772
	<u>2014 (unaudited)</u>		<u>2013</u>	
	Units	Amount	Units	Amount
Current biological assets (livestock)				
Cattle	206	123	837	396
Pigs	42,028	2,025	20,054	1,012
Other	-	-	180	19
Current biological assets (crops)	Area, ha	Amount	Area, ha	Amount
Wheat	14,136	2,053	17,610	10,866
Barley	5,027	269	7,572	2,990
Rapeseed	10,872	1,085	19,771	17,640
Total current biological assets		5,555		32,923
Total biological assets		28,510		55,695

Significant quantity of Danish breed pigs (recorded as non-current biological assets) was purchased in April 2013 in order to produce piglets of given breed and to sell them in live weight.

The total area of agricultural land used by the Group is approximately 66 thousand hectares, including approximately 30 thousand hectares under winter crops as at 31 December 2014.

The following table represents the changes during the years in the carrying amounts of non-current and current biological assets:

<i>In thousands of US dollars</i>	Crops	Livestock	Total
Carrying amount as at 1 January 2013	36,998	3,740	40,738
Purchases	-	2,259	2,259
Investments into future crops and livestock	46,820	7,310	54,130

KSG Agro S.A.**Notes to the Unaudited Consolidated Financial Statements**

Change resulting from business acquisitions, net (Note 5)	75	-	75
Sales	-	(5,795)	(5,795)
Gain arising from changes in fair value attributable to physical changes and changes in market prices	5,827	10,174	16,001
Harvested during the period	(51,713)	-	(51,713)
Carrying amount as at 31 December 2013	38,007	17,688	55,695
Purchases	-	5	5
Investments into future crops and livestock	15,145	8,283	23,428
Change resulting from business acquisitions, net	(495)	-	(495)
Sales	-	(8,390)	(8,390)
Gain/(loss) arising from changes in fair value attributable to physical changes and changes in market prices	(16,590)	22,498	5,908
Harvested during the period	(13,742)	-	(13,742)
Exchange differences	(18,564)	(15,335)	(33,899)
Carrying amount as at 31 December 2014 (unaudited)	3,761	24,749	28,510

Costs incurred during the period ended 31 December 2014 on crops in the field and livestock were as follows:

<i>In thousands of US dollars</i>	Crops	Livestock	Total
Raw materials	5,547	6,150	11,697
Land lease expenses	3,627	-	3,627
Staff costs	1,486	663	2,149
Depreciation and amortisation	1,331	601	1,932
FAT	273	24	297
Other	2,881	845	3,726
Total costs incurred during the period	15,145	8,283	23,428

Costs incurred during the period ended 31 December 2013 on crops in the field and livestock were as follows:

<i>In thousands of US dollars</i>	Crops	Livestock	Total
Raw materials	21,859	4,104	25,963
Land lease expenses	6,162	-	6,162
Staff costs	2,394	890	3,284
Depreciation and amortisation	6,266	1,668	7,934
FAT	439	22	461
Other	9,700	626	10,326
Total costs incurred during the period	46,820	7,310	54,130

Gain on initial recognition at fair value and net change in fair value of biological assets was as follows:

<i>In thousands of US dollars</i>	2014 (unaudited)	2013
Crops in the field	1,441	24,301
Agricultural produce at the date of harvesting	(16,967)	(24,754)
Lucerne	(1,186)	6,281
Sows	22,910	11,112
Livestock husbandry	(51)	63
Dairy cows	(361)	(1,002)
Gardens	122	-
Total gain on initial recognition at fair value and net change in fair value of biological assets	5,908	16,001

Biological assets of the Group are measured at fair value within Level 3 of the fair value hierarchy. There were no transfers between any levels during the year.

11. Biological Assets (continued)

Description	Fair value as at 31 December 2014 (unaudited)	Valuation technique	Unobservable inputs	Range of unobservable inputs
Crops in the field - Winter wheat	2,053	Discounted cash flows	Crop yield - tonnes per ha	2.58
			Crops price, USD	159 per tonne
			Discount rate	33.63%
Crops in the field - Winter barley	269	Discounted cash flows	Crop yield - tonnes per ha	1.76
			Crops price, USD	154 per tonne
			Discount rate	33.63%
Crops in the field - Winter rapeseed	1,085	Discounted cash flows	Crop yield - tonnes per ha	1.34
			Crops price, USD	349 per tonne
			Discount rate	33.63%
Lucerne	215	Discounted cash flows	Lucerne green mass yield - tonnes per ha	7
			Price, USD	232 per tonne
			Discount rate	33.63%
Cattle	235	Discounted cash flows	Meat price, USD	1,395 per tonne
			Discount rate	33.63%
			Piglets production, heads (average)	115,400 per year
Sows	22,366	Discounted cash flows	Price, USD Discount rate	1,336 – 2,293 per tonne 33.63%

Agricultural produce harvested during 2014 and 2013 was presented as follows:

Crop harvested	2014 (unaudited)	2013
	in tonnes	in tonnes
Winter wheat	34,134	64,097
Winter barley	9,366	14,334
Winter rapeseed	7,888	31,138
Sunflower	18,344	41,441
Corn	2,684	30,563
Total	72,416	181,573

For amount of biological assets pledged to secure bank loans refer to Note 17. Changes in key assumptions used to estimate biological assets fair value would have the following effect on the fair value of biological assets:

<i>In thousands of US dollars</i>	Effect on fair value of biological assets
10 % increase in price for meat	6,086
10 % decrease in price for meat	(6,086)
10 % increase in prices for crops	1,061
10 % decrease in prices for crops	(1,061)
10 % increase in yield for crops	1,061
10 % decrease in yield for crops	(1,061)
10 % increase in production costs until harvest	(720)
10 % decrease in production costs until harvest	720
5 % increase in discount rate	(766)
5 % decrease in discount rate	809

12. Cash and Cash Equivalents and Term Deposits

<i>In thousands of US dollars</i>	31 December 2014 (unaudited)	31 December 2013
Cash in bank / (Overdraft)	(147)	131
Cash on hand	-	-
Total cash and cash equivalents	(147)	131
Term deposits – non-current	3,240	14,245
Term deposits – current	-	5,132
Total deposits	3,240	19,377

Cash and cash equivalents and term deposits were denominated in the following currencies:

<i>In thousands of US dollars</i>	31 December 2014 (unaudited)		31 December 2013	
	Cash and cash equivalents	Term deposits	Cash and cash equivalents	Term deposits
UAH	(163)	2,645	93	10,351
EUR	2	-	12	-
USD	8	595	26	9,026
Other	6	-	-	-
Total	(147)	3,240	131	19,377

For amount of deposits pledged to secure bank loans refer to Note 17.

13. Trade and Other Accounts Receivable

<i>In thousands of US dollars</i>	31 December 2014 (unaudited)	31 December 2013
Trade accounts receivable	8,836	19,410
Less: provision for trade accounts receivable	(314)	(1,940)
Loans issued	3,792	10,230
Other financial receivables	2,945	2,034
Less: provision for other financial receivables	(284)	(793)
Total financial trade and other receivables	14,975	28,941
Advances issued	1,998	3,112
Less: provision for advances issued	(170)	(233)
Loans to employees	-	54
Total trade and other accounts receivable	16,803	31,874

As at 31 December 2014 99% of financial receivables were denominated in UAH (31 December 2013: 99%). Loans issued represent interest-free loans and are repayable within twelve months. The fair value of each class of trade and other receivables as at 31 December 2014 and 2013 approximates their carrying amount as of these dates. For amount of receivables pledged to secure bank loans refer to Note 17.

Movements in the impairment provision for trade and other receivables were as follows:

<i>In thousands of US dollars</i>	Trade receivables	Other financial receivables	Advances issued
Provision for impairment at 31 December 2012	118	529	178
Provision for impairment during the year	1,822	264	55
Write-off of receivables against respective provision	-	-	-
Provision for impairment at 31 December 2013	1,940	793	233
Provision for / (reversal of) impairment during the year	(828)	(49)	(37)
Write-off of receivables against respective provision	-	-	-
Exchange differences	(798)	(460)	(26)
Provision for impairment at 31 December 2014 (unaudited)	314	284	170

13. Trade and Other Accounts Receivable (continued)

Analysis by credit quality of financial receivables is as follows:

<i>In thousands of US dollars</i>	31 December 2014 (unaudited)			31 December 2013		
	Trade receivables	Loans issued	Other financial receivables	Trade receivables	Loans issued	Other financial receivables
<i>Neither past due nor impaired</i>						
- Related parties	1,123	-	-	592	8,404	-
Total neither past due nor impaired	1,123	-	-	592	8,404	-
<i>Total overdue</i>						
- less than 90 days overdue	168	3,019	754	10,953	62	335
- 91 to 180 days overdue	171	217	-	1,384	-	-
- 181 to 360 days overdue	773	282	3	4,118	1,170	-
- over 360 days overdue	6,601	274	2,188	2,363	594	1,699
Total overdue	7,713	3,792	2,945	18,818	1,826	2,034
Less: provision for impairment	(314)	-	(284)	(1,940)	-	(793)
Total trade and other receivables	8,522	3,792	2,661	17,470	10,230	1,241

Related parties are represented by the private companies controlled by the majority shareholder of the Group. The Group believes that financial receivables from related parties are of a higher credit quality than the rest of the receivables as the Group is able to influence terms of repayment.

Overdue accounts receivable are mainly presented by the amounts due from the entities under common control (refer to Note 25) and customers with whom the Group has net liability position. Thus, management believes that all accounts receivable are recoverable in full amounts, unless respective provision for impairment was recognised. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security. Subsequently to the year end the Group received substantial part of outstanding accounts receivable and for the remaining part renegotiated new payment schedules.

14. Taxes recoverable and prepaid, government grants received

<i>In thousands of US dollars</i>	31 December 2014 (unaudited)	31 December 2013
VAT recoverable (1)	972	6,016
Other taxes receivable	82	60
Total taxes recoverable and prepaid	1,054	6,076

(1) As at 31 December 2014 the balance of VAT recoverable was accumulated on continuing capital expenditures and increased investments in working capital.

(2) The Ukrainian legislation provides for a number of different grants and tax benefits for companies involved in agricultural operations. The below mentioned grants and similar privileges are established by Verkhovna Rada (the Parliament) of Ukraine, as well as by the Ministry of Agrarian Policy of Ukraine, the Ministry of Finance of Ukraine, the State Committee of Water Industry, the customs authorities and local district administrations.

Government grants recognised by the Group as income during the years ended 31 December 2014 and 2013 were presented by VAT refunds amounting to USD 2,068 thousand and USD 3,807 thousand respectively.

KSG Agro S.A.**Notes to the Unaudited Consolidated Financial Statements****15. Share Capital and Share Premium**

<i>In thousands of US dollars, except number of shares</i>	Number of shares	Ordinary shares	Share premium	Total
At 1 January 2013	14,925,500	149	36,821	36,970
Share issue	94,500	1	433	434
At 31 December 2013	15,020,000	150	37,254	37,404
At 31 December 2014 (unaudited)	15,020,000	150	37,254	37,404

On 11 July 2013, the Board of Directors resolved to increase the share capital from USD 149,255.00 to USD 150,200.00 by issuance 94 500 new shares with nominal value of USD 0.01 each.

16. Put Option and Share Purchase Warrants

In April 2012 the Company entered into an agreement (the "Agreement") with GEM Global Yield Fund Limited ("GEM") whereby the Company acquired a three year put option requiring GEM to acquire up to Polish Zloty ("PLN") 75,000 thousand (USD 22,400 thousand) of the Company's ordinary shares (the "Put Option"). The Company can, at any time, put to GEM to subscribe for up to 10 times the previous 15 days' average trading volume in the Company's shares. GEM must then subscribe for from 50 percent to 200 percent of the number of shares put by the Company. The issues price for shares subscribed for under the Put Option will be the 20 day average trading price of the Company's shares following the put. Shares subscribed for under the put will initially be loaned to GEM by ICD Investments S.A, the Company's parent company. The Company will have up to a year from the date of each subscription to issue shares to ICD to replace the loaned shares. During 2012 GEM accepted subscriptions for 94,500 ordinary shares and made a prepayment of USD 432 thousand. The Company recorded this prepayment as a reserve in equity.

In exchange for the Put Option the Company committed to pay a fee of PLN 1,500 thousand (USD 448 thousand) and committed to issue warrants for GEM to acquire 1,500,000 of the Company's ordinary shares and a promissory note to GEM in respect of the fee. The promissory note is payable as a percentage of the proceeds from shares subscribed for under the Put Option, but in any case not later than by the second anniversary of the Agreement. In case of late payment of the fee, the overdue amount bears interest at Barclays Bank PLC's base rate plus four percent. The warrants, which in accordance with the Agreement were issued in July 2012, allow GEM to acquire 750,000 ordinary shares of the Company at a price of PLN 35 and 750,000 ordinary shares at PLN 40, each for a period of three years.

The fee was charged to profit and loss in 2014 and 2013 as a financing income. As the warrants are denominated in other than the Company's functional currency they are considered a derivative liability and are marked-to-market though profit or loss at each balance sheet date until they are exercised or expire. The fair value of the warrants at the date of inception amounted to USD 680 thousand and decreased to USD 0 thousand as at 31 December 2014.

The fair value of the share purchase warrant was determined using the Black-Scholes model based on the following inputs:

	31 December 2014	31 December 2013
Current stock price, USD	0.32	3.61
Risk-free interest rate, %	2.17	2.45
Volatility, %	159.28	47.40

The share purchase warrant belongs to level 2 (i.e. other techniques for which all input which have a significant effect on the recorded fair value are observable, either directly or indirectly) in the hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques.

17. Loans and Borrowings

<i>In thousands of US dollars</i>	31 December 2014 (unaudited)	31 December 2013
Long-term		
Financial lease liabilities	789	3,185
Bank loans	27,595	40,403
Total long-term loans and borrowings	28,384	43,588

KSG Agro S.A.**Notes to the Unaudited Consolidated Financial Statements**

Current		
Financial lease liabilities	635	3,747
Bank loans	34,526	50,528
Other borrowings	2,803	5,529
Total current loans and borrowings	37,964	59,804

As at 31 December, the Group's loans and borrowings were denominated in the following currencies:

<i>In thousands of US dollars</i>	2014 (unaudited)	2013
Borrowings denominated in: - UAH	25,150	49,033
- USD	23,812	37,308
- EUR	17,386	17,051
Total loans and borrowings	66,348	103,392

As at 31 December, the Group's loans and borrowings maturity and re-pricing were as follows:

<i>In thousands of US dollars</i>	Maturity		Interest re-pricing	
	2014 (unaudited)	2013	2014 (unaudited)	2013
Loans and borrowings due:				
- within 1 year	37,964	59,804	37,964	62,293
- between 1 and 5 years	28,384	43,588	28,384	40,299
Total borrowings	66,348	103,392	66,348	102,592

The carrying value of the Groups' assets pledged as collateral for the Group's bank loans is as follows:

<i>In thousands of US dollars</i>	31 December 2014	31 December 2013
	(unaudited)	
Property, plant and equipment	9,322	40,918
Receivables (Property rights under agreements on agricultural produce selling)	6,259	4,686
Term deposit	2,646	19,377
Inventory	695	1,393
Biological assets	2,565	32,975
Total carrying amount of collateral	21,487	99,349

As at 31 December 2014 a related party pledged as collateral real estate of contractual value of USD 4,905 thousand for respective liabilities of the Group to the amount of USD 14,172 thousand (2013: contractual value of USD 6,783 thousand for respective liabilities of the Group to the amount USD 6,756 thousand).

The Group was not in compliance with certain loan covenants with respect to a loan of USD 1,332 thousand as at 31 December 2014 (2013: USD 1,360 thousand). Consequently, non-current loan amounting to USD 1,332 thousand, which contractually matures in 2016, was classified as maturing within one year (2013: USD 1,360 thousand).

Leased assets with the carrying amount of USD 1,095 thousand (31 December 2013: USD 8,082 thousand) are presented as a collateral for the Group's obligations under the finance lease agreements. The Group has delayed payments in the amount of USD 522 thousand on these leases as at 31 December 2014 and therefore, according to the lease agreements, the lessor can require the immediate return of leased assets with the carrying amount of USD 1,095 thousand (2013: USD 8,082 thousand).

Management is negotiating on new schedule and terms of payments. Management assesses that provision should not be recognised as it is not probable that the Group incurs any losses because of the payment delay.

As at 31 December 2014 and 2013, obligations under financial lease liabilities were:

<i>In thousands of US dollars</i>	31 December 2014	31 December 2013
	(unaudited)	
Long-term	789	3,185
Short-term	635	3,747
Total finance lease liabilities	1,424	6,932
Total future minimum lease payments	1,719	8,241
Less: interest expenses	(295)	(1,309)
Discounted value of future minimum lease payments	1,424	6,932

KSG Agro S.A.**Notes to the Unaudited Consolidated Financial Statements****17. Loans and Borrowings (continued)**

As at 31 December 2014, future minimum lease payments and their discounted value under financial lease agreements that are not subject to early termination and concluded for a term exceeding one year are as follows:

<i>In thousands of US dollars</i>	2015	2016	2017	2018	Total
Future minimum lease payments	788	507	415	9	1,719
Less: interest expenses	(153)	(98)	(44)	(0)	(295)
Discounted value of future minimum lease payments	635	409	371	9	1,424

As at 31 December 2013, future minimum lease payments and their discounted value under financial lease agreements that are not subject to early termination and concluded for a term exceeding one year are as follows:

<i>In thousands of US dollars</i>	2014	2015	2016	2017	2018	Total
Future minimum lease payments	4,321	1,604	1,194	1,001	121	8,241
Less: interest expenses	(574)	(370)	(241)	(117)	(7)	(1,309)
Discounted value of future minimum lease payments	3,747	1,234	953	884	114	6,932

As at 31 December, minimum lease payments were as follows:

<i>In thousands of US dollars</i>	31 December 2014 (unaudited)	31 December 2013
Amounts payable under financial lease agreements:		
During 1 year	788	3,747
Over 1 year but no more than 5 years	931	3,185
Total lease payments	1,719	6,932

18. Trade and Other Accounts Payable

<i>In thousands of US dollars</i>	31 December 2014 (unaudited)	31 December 2013
Trade payables	12,510	23,986
Payables for own promissory notes	1,294	2,552
Financial assistance received	864	1,705
Land lease payables	-	3,116
Promissory notes issued to GEM	213	496
Other accounts payable	6,908	2,560
Total financial trade and other payables	21,789	34,415
Prepayments received	2,663	15,885
Wages and salaries accrued	99	957
Total trade and other payables	24,551	51,257

Prepayments received and accounts payable are interest-free and settled in the normal course of business.

19. Promissory notes issued

<i>In thousands of US dollars</i>	31 December 2014 (unaudited)	31 December 2013
Long-term promissory notes issued	1,344	1,264
Current promissory notes issued	294	910
Total promissory notes issued	1,638	2,174

KSG Agro S.A.**Notes to the Unaudited Consolidated Financial Statements****20. Revenue**

<i>In thousands of US dollars</i>	2014 (unaudited)	2013
Sale of agricultural produce and processed food	24,678	57,155
Rendering of services	1,624	1,029
Total revenue	26,302	58,184

21. Cost of Sales

<i>In thousands of US dollars</i>	2014 (unaudited)	2013
Cost of agricultural produce and processed food	27,941	66,923
Cost of rendered services	854	2,307
Total cost of sales	28,795	69,230

22. Selling, General and Administrative Expenses

<i>In thousands of US dollars</i>	2014 (unaudited)	2013
Informational, expert and consulting services	651	1,717
Transport services	249	1,761
Crops storage services	75	820
Wages and salaries	675	1,613
Depreciation	469	593
Bank services	136	467
Fuel and other materials	140	334
Taxes, other than income tax	27	-
Other expenses	421	1,104
Total selling, general and administrative expenses	2,843	8,409

23. Other Expenses

<i>In thousands of US dollars</i>	2014 (unaudited)	2013
Other expenses		
Loss on PPE disposal	235	650
(Reversal of) impairment of accounts receivable and write-off of prepayments made	(482)	2,141
Impairment of accounts receivable from Crimean companies	4,385	-
VAT written off	1,510	1,094
Write down of inventories	434	1,912
Loss of harvest	453	-
Loss of Lucerne in Crimea	2,756	-
Fines and penalties	859	-
Other	201	1,505
Total other expenses	10,351	7,302

24. Finance Income and Expenses

<i>In thousands of US dollars</i>	2014 (unaudited)	2013
Finance income		
Interest income	471	2,361
Other finance income	205	107
Total finance income	676	2,468

KSG Agro S.A.

Notes to the Unaudited Consolidated Financial Statements

Finance expenses		
Interest expense on bank loans	(11,316)	(10,772)
Unwinding of discount on long-term financial liabilities	-	(115)
Other finance expenses	(2,196)	(3,965)
Finance expenses	(13,512)	(14,852)
Less: amounts capitalised on qualifying assets (Note 8)	546	841
Total finance expenses	(12,966)	(14,011)

25. Income Tax

The majority of the Group's operating entities are located in Ukraine, therefore the effective tax rate reconciliation is completed based on Ukrainian statutory rates. The majority of the Group companies that are involved in agricultural production pay the Fixed Agricultural Tax (the "FAT") in accordance with the Tax Code.

The FAT replaces the following taxes for agricultural producers: Corporate Income Tax, Land Tax, Special Water Consumption Duty, and Trade Patent. The FAT is calculated by local authorities and depends on the area and valuation of land occupied. This tax regime is valid indefinitely. FAT does not constitute an income tax, and as such, is recognised in the income statement within item cost of sales.

During the year ended 31 December 2014, the Group's companies that have the status of Corporate Income Tax (the "CIT") payers in Ukraine were subject to income tax at a rate of 18% (for the year ended 31 December 2013: 19%).

The deferred income tax assets and liabilities as of 31 December 2014 and 2013 were measured based on the tax rates expected to be applied to the period when the temporary differences are expected to reverse.

Income tax expense comprises the following:

<i>In thousands of US dollars</i>	2014 (unaudited)	2013
Current tax expense	(14)	(64)
Deferred tax benefit	1,035	651
Income tax benefit	1,021	587

Reconciliation between the expected and the actual taxation charge is provided below.

<i>In thousands of US dollars</i>	2014 (unaudited)	2013
Loss before tax	(40,496)	(29,189)
- (Loss) attributable to FAT payers	(23,054)	(17,263)
- (Loss) attributable to Ukrainian subsidiaries	(15,807)	(10,526)
- (Loss) / Profit attributable to other Group companies	(1,635)	(1,400)
Income tax (benefit) / expense related to Ukrainian subsidiaries	(2,845)	(2,000)
Income tax expense related to other Group companies	(5)	(5)
• non-deductable expense	-	1,319
• change in unrecognised deferred tax asset	1,829	703
• change related to tax payer status change (from CPT to FAT)	-	(604)
Income tax benefit	(1,021)	(587)

<i>In thousands of US dollars</i>	31 December 2013	Credited/ (charged) to	Business	31 December
		income statement	combinations	2014 (unaudited)
Tax effect of deductible temporary differences				
Accounts receivable	59	30	-	89
Promissory notes received	38	(25)	-	13
Gross deferred tax asset	97	5	-	102
Tax effect of taxable temporary differences				
Property, plant and equipment	(2,224)	1,030	-	(1,195)
Land lease rights	-	-	-	-

KSG Agro S.A.**Notes to the Unaudited Consolidated Financial Statements**

Current biological assets	-	-	-	-
Accounts payable	-	-	-	-
Gross deferred tax liability	(2,224)	1,030	-	(1,194)
Recognised deferred tax asset/(liability)	(2,127)	1,035	-	(1,092)
	31 December	Credited/	Business	31 December
	2012	(charged) to	combinations	2013
		income statement		
<i>In thousands of US dollars</i>				
Tax effect of deductible temporary differences				
Accounts receivable	195	(136)	-	59
Promissory notes received	44	(6)	-	38
Gross deferred tax asset	239	(142)	-	97
Tax effect of taxable temporary differences				
Property, plant and equipment	(2,401)	177	-	(2,224)
Land lease rights	(230)	230	-	-
Current biological assets	(374)	374	-	-
Accounts payable	(12)	12	-	-
Gross deferred tax liability	(3,017)	793	-	(2,224)
Recognised deferred tax asset/(liability)	(2,778)	651	-	(2,127)

26. Operating Segments

The Group has four reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the Group's CEO reviews internal management reports on at least quarterly basis. The operations in each of the Group's reporting segments are:

- *Crop production.* Crop production is the core business of the Group. It is generally focused on production of sunflower, wheat, barley, coleseed (rape), soybeans and other crops, such as corn, triticale, pea, and buckwheat. The main factors affecting the crop production segment are climatic conditions, land quality, plant nutrition and moisture levels in the arable land.
- *Food Processing.* Established relationships with retail chains provide the Group with opportunities to sell groceries and meat products. Currently the Group produces flour, sunflower oil, packaged crops, macaroni and meat products such as sausages and meat delicates and supplies to retail chains.
- *Pigs' breeding.* A segment which deals with pigs breeding and sale of respective livestock. Basic assets for sale in this segment are pigs in live weight.
- *Other operations.* This operating segment includes fruit and vegetable production, cultivation and the sale of farm animals (cattle), pellet production and the rendering of services to third parties. While this segment does not currently meet the threshold requiring separate segment disclosure, management believes it useful to distinguish this segment in its reporting.

Performance is measured based on segment profit or loss, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit or loss is used to measure performance as management believes that such information is the most relevant in evaluating the results of the Group's segments relative to other entities that operate within these industries.

Group's assets and liabilities are not monitored by operating segments.

Items which are not disclosed separately in segment income and expenses are as follows: Government grant received, Gain/(loss) on acquisition/(disposal) of subsidiaries/assets held for sale, Other operating income, Selling, general and administrative expenses, Other operating expenses, Finance income, Finance expenses, Loss on share purchase warrant and Income tax benefit.

Revenues of approximately USD 7,740 thousand (2013: USD 25,170 thousand) are derived from three external customers (2013: three). These revenues are attributable to crop production segment.

KSG Agro S.A.
Notes to the Unaudited Consolidated Financial Statements
26. Operating Segments (continued)

Information about operating segments for 2014 is as follows:

<i>In thousands of US dollars</i>	Crop production	Food processing	Pigs breeding	Other operations	Total
Revenue	16,199	1,569	7,888	4,486	30,142
<i>including:</i>					
- sales of goods	16,199	1,569	7,888	2,862	28,518
- rendering of services	-	-	-	1,624	1,624
Inter-segment transactions	(1,273)	(75)	(851)	(1,641)	(3,840)
Revenue from external customers	14,926	1,494	7,037	2,845	26,302
Change in fair value of biological assets less estimated point-of- sale costs	(15,526)	-	22,859	(1,425)	5,908
Cost of sales	(17,475)	(1,369)	(7,160)	(2,791)	(28,795)
Segment profit	(18,075)	125	22,736	(1,371)	3,415
Government grant received					2,068
Selling, general and administrative expenses					(2,843)
Other operating income					317
Other operating expenses					(83)
Operating profit					2,874
Finance income					676
Finance expenses					(12,966)
Foreign currency exchange loss					(20,368)
Loss on impairment of goodwill					(623)
Other expenses					(10,351)
Gain on subsidiaries' disposal					4
Gain on share purchase warrant					258
Profit before tax					(40,496)
Income tax benefit					1,021
Profit for the period					(39,475)
Other segment information:					
Depreciation and amortisation	4,094	549	1,088	1,436	7,167
Capital expenditure	81	52	1,369	28	1,530

Information about operating segments for 2013 is as follows:

<i>In thousands of US dollars</i>	Crop production	Food processing	Pigs breeding	Other operations	Total
Revenue	46,533	7,362	5,687	10,084	69,666
<i>including:</i>					
- sales of goods	46,533	7,362	5,687	9,070	68,652
- rendering of services	-	-	-	1,014	1,014
Inter-segment transactions	(3,501)	(150)	(3,317)	(4,514)	(11,482)
Revenue from external customers	43,032	7,212	2,370	5,570	58,184
Change in fair value of biological assets less estimated point-of- sale costs	(1,459)	(372)	12,551	5,281	16,001
Cost of sales	(51,032)	(7,855)	(3,652)	(6,691)	(69,230)
Segment profit	(9,459)	(1,015)	11,269	4,160	4,955
Government grant received					3,807
Gain/(loss) on acquisition/(disposal) of subsidiaries/assets held for sale					605
Other operating income					81
Selling, general and administrative expenses					(8,409)
Other operating expenses					(7,302)
Operating profit					(6,263)
Finance income					2,468

KSG Agro S.A.

Notes to the Unaudited Consolidated Financial Statements

Finance expenses					(15,335)
Loss on impairment of goodwill					(6,261)
Loss on associates' disposal					(3,929)
Gain/(Loss) on share purchase warrant					131
Profit before tax					(29,189)
Income tax benefit					587
Profit for the period					(28,602)
Other segment information:					
Depreciation and amortisation	4,888	1,500	1,699	744	8,831
Capital expenditure	6,680	2,981	13,261	172	23,094

All land lease rights relate to the crop production segment. All long-term biological assets relate to the food processing segment.

Breakdown of revenue by geographical segments is based on the domicile of the customers and is as follows:

<i>In thousands of US dollars</i>	2014 (unaudited)	2013
Ukraine	26,074	41,984
Europe	228	16,200
Asia	-	-
Total revenue	26,302	58,184

27. Related Parties

Significant related party balances outstanding at the reporting dates are:

<i>In thousands of US dollars</i>	31 December 2014 (unaudited)		31 December 2013	
	Parent	Entities under common control	Parent	Entities under common control
Assets				
Trade accounts receivable	-	1,123	-	2,347
Other financial receivables	-	-	-	-
Advances issued	-	-	-	-
Loans issued	-	-	-	8,404
Liabilities				
Trade and other accounts payable	-	2,889	-	1,794
Prepayments received	-	-	-	4,929
Loans	8,551	3,777	10,170	6,327
Interest payable	1,572	4	-	354

Revenue and expense transactions with related parties during 2014 and 2013 were as follows:

<i>In thousands of US dollars</i>	2014 (unaudited)		2013	
	Parent	Entities under common control	Parent	Entities under common control
Sales	-	18	-	3,888
Unwinding of discount on long-term accounts receivable	-	484	-	107
Purchases	-	-	-	63
Interest expenses	918	519	-	482
Capitalized interest costs (Note 8)	-	546	-	841

Purchases from related parties comprised of the following:

27. Related Parties (continued)

<i>In thousands of US dollars</i>	2014 (unaudited)		2013	
	Parent	Entities under common control	Parent	Entities under common control
Purchase of goods	-	-	-	63
Purchase of services	-	-	-	-
Total	-	-	-	63

Transactions with key management personnel. Remuneration of key management personnel for 2014 comprised short-term benefits totalling USD 304 thousand (2013: USD 544 thousand).

During 2013 the Group issued USD 76 thousand of interest-free loans to key management personnel which were fully repaid before 31 December 2013.

As at 31 December 2014, the ultimate controlling party and other related parties provided collateral for the Group's loan of USD 2,403 thousand and USD 2,502 thousand respectively (2013: USD 26,232 thousand and USD 20,778, respectively).

Key management personnel are those individuals that have the authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly, and consist of five members of the Board of Directors.

28. Contingencies, Commitments and Operating Risks

Political and economic crisis. In January-March 2014, the political unrest escalated and resulted in the President and majority of Government officials being dismissed by the Parliament. The Parliament has initiated certain political reforms, has appointed a transitional Government and is forming a set of anti-crisis measures. On 21 March 2014 Ukraine signed a political association with the European Union.

Furthermore, in 2014, the Ukrainian Hryvnia devaluated against major foreign currencies by approximately 100%, and the National Bank of Ukraine imposed certain restrictions on purchase of foreign currencies at the inter-bank market. The international rating agencies have downgraded sovereign debt ratings for Ukraine. The combination of the above events has resulted in a deterioration of liquidity and much tighter credit conditions where credit is available. The economic situation was further complicated by continuing drop in global and Ukrainian prices on major commodities.

In April 2014 after the annexation of Crimea, an autonomous region of Ukraine, political instability expanded over East regions of Ukraine. On April 14, 2014, acting President of Ukraine, Head of the Supreme Council of Ukraine, Oleksandr Turchynov, signed a decree "On urgent measures to tackle the terrorist threat and keep the territorial integrity of Ukraine". According to this decree, anti-terrorist operation was launched in Donetsk and Lugansk regions.

As of now, the armed conflict at the East of Ukraine is at the phase of truce, and it has not spread to new regions of Ukraine. However, there is no guarantee that in the case of deterioration of political situation in Ukraine or decision of attack made by any party of the conflict, escalation of military actions will not affect the operations of KSG Agro. Being located in the region adjacent to the zone of ATO, the Company is exposed to the risk that escalated armed conflict will have direct impact on its activities by either destroying or damaging constructions and equipment owned or denial of physical access and control to fields which will result in inability to harvest crops.

Management is monitoring these developments in the current environment and taking actions where appropriate. Further negative developments, including the political unrest, could adversely affect the Company's results and financial position in a manner not currently determinable.

Management believes it is responding appropriately to all the risks identified in order to support the sustainability of the Company's business in the current circumstances.

29. Risk management policies

Credit risk. The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's sales of products on credit terms and other transactions with counterparties giving rise to financial assets.

The Group's maximum exposure to credit risk by class of assets is reflected in the carrying amounts of financial assets in the consolidated statement of financial position.

29. Financial Risk Management (continued)

Credit risk concentration. The Group is exposed to the concentration of credit risk. Management monitors and discloses concentrations of credit risk by obtaining reports with exposures to counterparties with the balances in excess of 1% of net assets.

At 31 December 2013, the Group had 7 counterparties (31 December 2013: 8 counterparties) with aggregated receivable balances above USD 430 thousand each. The total aggregate amount of these balances was USD 6,956 thousand (31 December 2013: USD 14,300 thousand) or 38% of the gross amount of trade and other receivables (31 December 2013: 47%). In year 2014 approximately 2% of revenue is derived from these 7 debtors.

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities, all of which are exposed to general and specific market movements.

The Group does not have significant interest-bearing financial assets. Loans and borrowings issued at variable interest rates expose the Group to the interest rate risk. Loans and borrowings issued at fixed rates expose the Group to the fair value risk.

The sensitivities to market risks disclosed below are based on a change in one factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

Interest rate risk. Risk of changes in interest rate is generally related to interest-bearing loans. Loans issued at variable rates expose the Group to cash flow interest rate risk. Loans issued at fixed rates expose the Group to fair value interest rate risk. The Group is currently developing its policy on structure of fixed and variable rates loan portfolio. The Group's management analyses market interest rates to minimize interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis. At 31 December 2014, if LIBOR rate had been 5% higher with all other variables held constant, post-tax profit for the year would have been USD 177 thousand lower (2013: USD 81 thousand).

Currency risk. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group has outstanding borrowings denominated in US dollars.

Because of this exposure, if the US dollar were to strengthen or weaken by 50 percent against the UAH, it would decrease or increase the Company's profit before tax by USD 16,712 thousand, respectively (31 December 2013: 10% and USD 2,137 thousand).

Because of this exposure, if the euro were to strengthen or weaken by 50 percent against the UAH, it would decrease or increase the Company's profit before tax by USD 8,693 thousand, respectively (31 December 2013: 10% and increase or decrease by USD 1,725 thousand).

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is managed by the Group management who monitors monthly rolling forecasts of the Group's cash flows.

The Group seeks to maintain a stable funding base primarily consisting of borrowings and trade and other payables.

The table below shows liabilities at 31 December 2014 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the consolidated statement of financial position because the statement of financial position is based on discounted cash flows.

The maturity analysis of financial liabilities at 31 December 2014 is follows:

<i>In thousands of US dollars</i>	Less than 1 year	From 1 year to 2 years	From 2 years to 5 years	Total
Liabilities				
Loans and borrowings	37,964	19,453	8,931	66,348
Trade and other payables	21,675	-	-	21,675
Promissory notes issued	294	1,344	-	1,638
Total	59,933	20,797	8,931	89,661

29. Financial Risk Management (continued)

The maturity analysis of financial liabilities at 31 December 2013 is follows:

<i>In thousands of US dollars</i>	Less than 1 year	From 1 year to 2 years	From 2 years to 5 years	Total
Liabilities				
Loans and borrowings	59,804	18,313	25,275	103,392
Trade and other payables	35,372	-	-	35,372
Promissory notes issued	1,264	910	-	2,174
Total	96,440	19,223	25,275	140,938

The Group primary manages business risks and does not have formalised policies and procedures for managing financial risks.

Crop production risk. Crop production sales to external customers, the principal business segment of the Group, accounted for 57% of revenue from sales to external customers for the year ended 31 December 2014 (2013: 74%). The Group's ability to produce agricultural commodities in a timely manner and in sufficient quantities may be affected by adverse or unexpected growing conditions and deviations from the typical weather patterns, including among others, drought, flood, unexpected or heavy frost and hurricanes, and major climate-related disasters in the areas of Ukraine where the Group sources or grows its agricultural commodities. Climate directly impacts crop yield and its cost of harvesting.

The availability and price of agricultural commodities can also be affected by factors such as crop disease, which can result in crop failures and reduced yields from harvests. Diminished supply of agricultural commodities due to weather-related factors or crop disease could adversely affect the Group's profitability by increasing the cost of raw materials and limit its ability to procure, transport, store, process, and sell agricultural commodities in an efficient manner, which could materially and adversely affect the Group's business, results of operations and financial condition.

Livestock diseases risk. The Group's agro-industrial business also is subject to risks of outbreaks of various diseases. The Group faces the risk of outbreaks of diseases, which are highly contagious and destructive to susceptible livestock for its pig breeding operations. These and other diseases could result in mortality losses. Disease control measures were adopted by the Group to minimise and manage this risk. The Group's management is satisfied that its current existing risk management and quality control processes are effective and sufficient to prevent any outbreak of livestock diseases and related losses.

30. Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders as well as to provide financing of its operating requirements, capital expenditures and Group's development strategy. The Group's capital management policies aim to ensure and maintain an optimal capital structure to reduce the overall cost of capital and flexibility relating to Group's access to capital markets.

<i>In thousands of US dollars</i>	31 December 2014 (unaudited)	31 December 2013
Total amount of borrowings	66,348	103,392
Less cash and cash equivalents	147	(131)
Net debt	66,495	103,261
Total capital	7,559	77,478
Debt to capital ratio	880%	133%

The Group is currently developing its capital management policy. Management monitors on a regular basis the Group's capital structure and may adjust its capital management policies and targets following changes of its operating environment, market sentiment or its development strategy.

31. Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

Fair value estimation. As at 31 December 2014 and 2013 the Group did not have financial assets carried at fair value.

31. Fair Value of Financial Instruments (continued)

Financial assets carried at amortized cost. Carrying amounts of trade and other financial receivables approximate their fair value.

Financial liabilities carried at amortized cost. Carrying amounts of trade and other payables, financial lease liabilities, promissory notes issued, bank and other borrowings approximate their fair values as at 31 December 2014 and 2013.

Liabilities carried at fair value through profit or loss. The fair value of share purchase warrant was determined using the Black-Scholes model (Note 16). Management applies judgement in categorising financial instruments using the fair value hierarchy. To determine the fair value of share purchase warrant the Group used valuation technique with inputs observable in markets, which is the Level 2 measurement.

32. Events after the Reporting Period

From 31 Dec 2014 till report publishing date, the Company experienced the following significant events in its activity:

- The Company entered into negotiations with some prospective buyers about sale of part of its farming entities.
- On 9 March 2015, promissory notes issued to GEM were restructured. After the restructuring, the new schedule of payments was signed, and final repayment date was rescheduled to 1 January 2017. The effect of the restructuring on 2015 financial statements is estimated to be USD 103 thousand of other finance income.