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

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 93 thousand hectares (including 30 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' breedeing.

- 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 31,195 thousand compared to 31 December 2013 (including USD 21,305 thousand due to translation difference effect).

- 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.

The consolidated financial statements include the statements of subsidiaries, may see the following link:
http://www.ksgagro.com/investment/financial-reports/reports-for-2014/

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 Mudriievskyi 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. Audit committee

1) Presentation the members of the audit committee of KSG Agro S.A.

Xavier Soulard and Eric Tazzieri.

2) Role of the audit committee

The Audit Committee (the "Committee") of the Board of Directors (the "Board") of KSG Agro S.A. (the "Company") shall provide assistance to the Board in fulfilling its responsibilities with respect to its oversight of the following:

i. The quality and integrity of the Company's accounting and reporting practices and controls, and the financial statements and reports of the Company;
ii. The Company's compliance with legal and regulatory requirements;
iii. The independent auditor's qualifications and independence; and
iv. The performance of the Company's internal audit function and independent auditors.

3) Key responsibilities of the audit committee

To fulfill its responsibilities and duties the Committee shall:

Documents/Reports Review

i. Review with management and the independent auditors, prior to public dissemination, the Company's annual audited financial statements and any quarterly financial statements and reports, including the Company's disclosures;
ii. Review and discuss with management and the independent auditors the Company's earnings press releases as well as financial information and earnings guidance provided to analysts and rating agencies; and
iii. Perform any functions required to be performed by it or otherwise appropriate under applicable law, rules or regulations, the Company's memorandum or articles of association or other organizational documents and the resolutions or other directives of the Board, including review of any certification required to be reviewed in accordance with applicable law or regulations.

Independent Auditors

i. Retain or change the Company's independent auditors and approve all audit engagement fees and terms;
ii. Oversee the work of any registered public accounting firm employed by the Company, including the resolution of any disagreement between management and the independent auditor regarding financial reporting, for the purpose of preparing or issuing an audit report or related work;
iii. Approve, in advance, any audit and any permissible non-audit engagement or relationship between the Company and the independent auditors;
iv. Review, at least annually, the qualifications, performance and independence of the independent auditors and present its conclusions with respect to the independent auditor to the Board. In conducting its review and evaluation, the Committee should:

a. Obtain and review a report by the Company's independent auditors describing: (i) the auditing firm's internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the auditing firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the auditing firm, and any steps taken to deal with any such issues; and (iii) all relationships between the independent auditors and the Company (so as to enable the assessment of the independent auditors' independence);
b. Ensure the rotation of Auditors according to Articles of incorporation requirements;
c. Take into account the opinions of management and the Company's internal auditors (or of other personnel responsible for the internal audit function); and
d. Receive from the independent auditors such written statements and recommend to the Board and/or management such actions it deems appropriate to ensure the independence of the external auditors;

v. Review with the independent auditors any audit problems or difficulties and management's response; and
vi. Set clear hiring policies to be implemented by the Company for employees or former employees of the independent auditors to ensure the independence of the Company's outside auditors are not compromised.

Financial Reporting Process and Controls

i. Review, in consultation with the independent auditors and the internal auditors, the integrity of the Company's internal and external financial reporting processes and controls. In this regard, the Committee should obtain and discuss with management and the independent auditors all reports from management and the independent auditors regarding: (i) all critical accounting policies and practices to be used by the Company; (ii) analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including all alternative treatments of financial information within generally accepted accounting principles that have been discussed with the Company's management, the ramifications of the use of the alternative disclosures and treatments, and the treatment preferred by the independent auditors; (iii) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles; (iv) major issues as to the adequacy of the

Company's internal controls and any specific audit steps adopted in light of material control deficiencies; and (v) any other material written communications between the independent auditor and the Company's management;

ii. Review periodically the effect of regulatory and accounting initiatives, as well as off-balance sheet structures (if any), on the financial statements of the Company;

iii. Establish regular systems of reporting to the Committee by each of management, the independent auditors and the internal auditors regarding any significant judgments made in management's preparation of the financial statements and any significant difficulties encountered during the course of the review or audit, including any restrictions on the scope of work or access to requested information;

iv. Review any significant disagreement between management and the independent auditors or the internal auditing department in connection with the preparation of the financial statements and management's response to such matters; and

v. Review and discuss with the independent auditors the responsibilities, budget and staffing of the Company's internal audit function.

Risk Management

i. Discuss with management and the independent auditors the Company's guidelines and policies with respect to risk assessment and risk management. The Committee should discuss the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures. Such reviews shall include the following:

a. A quarterly review with the Chief Executive Officer (or such other executive or executives with primary responsibility for risk oversight) of the Company's enterprise risks and risk management;

b. An annual review (or more frequently as appropriate) with such person or persons of process by which the Company manages its enterprise risks; and

Legal/Compliance/General

i. Review, with the Company's counsel, any legal matter that could have a significant impact on the Company's financial statements or operations;

ii. Establish procedures for: (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters; and

iii. Ensure that the Company maintains (either as an internal function or as an outsourced service) an internal audit function.

Reports

i. Prepare all reports required of it to be included in the Company's proxy statement, pursuant to and in accordance with applicable rules and regulations;

ii. Report regularly to the Board:

a. with respect to any issues that arise regarding the quality or integrity of the Company's financial statements, the Company's compliance with legal and regulatory

requirements, the performance and independence of the Company's independent auditors or the performance of the internal audit function;
b. with respect to the Committee's oversight of risk management as outlined above;
c. following all meetings of the Committee; and
d. with respect to such other matters that are relevant to the Committee's discharge of its responsibilities; and

iii. Maintain minutes or other records of meetings and activities of the Committee.

4) Activity of the audit committee during the year 2014.

Audit Committee fulfilled its duties in 2014 according to responsibilities highlighted above.

4. 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 generaly 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.

5. 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)%**
Gain on initial recognition at fair value and net change in fair value of biological assets less estimated	2,259	16,001	(85.9)%
Cost of sales	(28,744)	(69,230)	58.5%
Gross profit	**(183)**	**4,955**	**(103.7)%**
Government grant received	1,805	3,807	(52.6)%
Selling, general and administrative expenses	(2,844)	(8,409)	66.2%
Other operating income	935	81	1054.3%
Other operating expenses	(83)	-	0.0%
Operating profit	**(370)**	**434**	**(185.3)%**
Finance income	1319	2,468	(46.6)%
Finance expenses	(14,391)	(14,011)	(2.7)%
Foreign currency exchange loss	(22,227)	(1,324)	(1578.8)
Loss on impairment of goodwill	(827)	(6,261)	86.8%
Other expenses	(17,283)	(7,302)	(136.7)%
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	**(53,517)**	**(29,189)**	**(83.3)%**
Income tax expenses	281	587	(52.1)%
Profit for the year	**(53,236)**	**(28,602)**	**(86.1)%**
EBITDA	**5,571**	**2,569**	**116.9%**

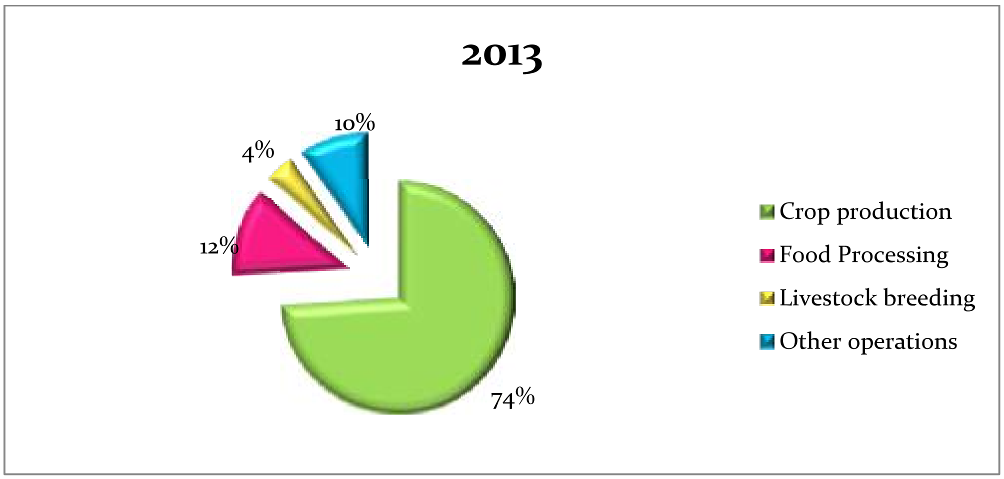
Revenue

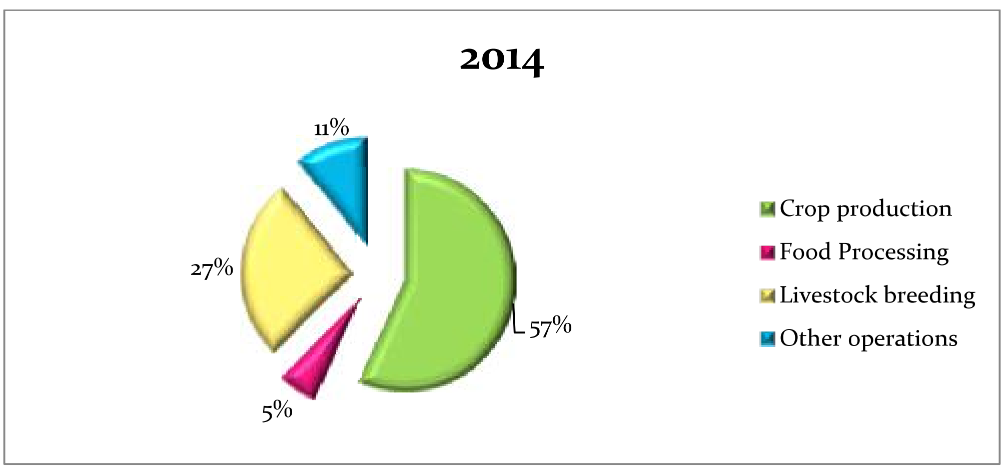
The Company's revenue from sales of finished products decreased year-on-year by 54.8% (while cost of sales decreased by 58.5%) primarily because of less harvested and sold products when prices declined and due to Crimea companies deconsolidation which contain almost 30% of Group's land bank.

The main segment, crop production segment, comprises production and sales of wheat, barley, rapeseeds, sundlower, 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	14.3
Rapeseeds	7.9	31.1
Sunflower	18.3	41.5
Corn	2.7	30.6
Total	**72.4**	**181.6**

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	119	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	331%
Sales, thousand heads	64.2	9.0	613%
Sales, tons	3,553	825	331%
Average price, USD/kg	1.95	1.96	-1%

Gain on initial recognition at fair value and net change in fair value of biological assets less estimated

Gain on initial recognition at fair value and net change in fair value of biological assets less estimated, decreased by 85.9% from USD 16.0 million for year ended 31 December 2013 to 2,2 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 and due to Crimea companies deconsolidation which contain almost 30% of Group's land bank. 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).

	31.12.2014			31.12.2013		
Current biological assets (crops)	**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**	

28Cost of sales

The Company's cost of sales decreased by 58.5% to USD 28.7 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 (0.2) 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	(4,477)	(1,157)
Net cash flow from investing activities	7,861	(23,153)
Net cash flow from financing activities	(6,636)	23,402
Net cash flow for the year	**(3,252)**	**(908)**

6. 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.

In the year 2013 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.

- KSG Agro S.A holds thirty-two thousand one hundred seventy-two (32,172) shares, representing 0.21% of the issued share capital of the Company.

- In free float holds five million two hundred and eighty-two thousand three hundred twenty-eight (5,282,328) shares, representing 35.17% 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.

7. Subsequent events

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

In the light of plans for changing business strategy the Group entered into negotiations and discussions with some prospective buyers about sale of part of its farming entities. At the date of consolidated financial statements publishing there are no formal memorandum signed and no potential buyer found for a 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.

In first half of 2015 year the bank 'Credit Agricole' due to Group overdue payments as of 31 December 2014 sued the Group with requirement to repay debt in amount USD 3,051 thousand and pay additional payments (fines, penalties, interest for the first half 2015, etc.) in total amount USD 920 thousand. The Group continues sue with bank and expects to agree memorandum of understanding and restructure debt in 2015 year with favourable conditions. As of date of this financial statements the Group and bank were in sue process.

In first half of 2015 year bank 'Ukrsotsbank' sued the Group with demand to repay debt in amount USD 10,258 thousand due to breach of debt agreement payment schedule in first quarter of 2015 year. The Group negotiated and signed memorandum with bank 'Ukrsotsbank' for debt restructuring on next terms: Group is foreclosed ownership on previously pledged assets (PPE) in amount USD 4,396 thousand and immediately buy this assets in financial leasing from bank 'Ukrsotsbank'.

The banks with overdue payments and breach of covenants as of 31 December 2014 other than mentioned above didn't sue the Group due to continuing negotiations between Group and banks management.

The Group has plans to change it's business strategy from 2015 and next years by switching from harvesting of crops to meat production. The Group in process of calculation and analysing possibilities of such change and expects enhance of liquidity and profits. In case new strategy finally adopted the Group the part of land ha will be sold to third parties.

Big Dutchman Pig Equipment GmdH sued from September 01, 2015 Group Component Rantie LLC for repayment UAH 101,340 thousand (USD 4,600 thousand). As at February 15, 2016 negotiations were held between KSG Agro and representatives of the counterparty. As a result KSG Agro received a restructuration plan which is in the process of signing.

As at 30 September 2015 the Companies Unirem Agro Plus LLC, Dniproagrostandard LLC (Agricultural Company Chumaki LLC), Dniproagroprogress LLC, Agrofirm Vesna LLC , Vidrodzhennya LLC, Kolosyste LLC are de-consolidated due to the fact, that control was transferred to third parties. As result of disposal of Unirem Agro Plus LLC correspondent Goodwill in amount USD 525 thousand is fully deconsolidated. These Companies helds 24 thousands hectares agricultural lands and generated about 20% of Group revenue for the year 2014.

Also, as at the date of financial statement authorisation Companies Souz-3 LLC and Agrotrade LLC were in bankruptcy process according to lawsuits; KSG Agro Polska was in final stage of liquidation. Financial effect of these facts cannot be estimated reliably.

8. 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.

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.

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.

Legal suits against Company

As of 31 December 2014 the Group had litigations for repayment of existing payables (except loans payable) in amount USD 1,220 thousand and charging additional fines in amount USD 840 thousand that were continue for 2015 year. The Group estimates that such legal cases will be resolved in favor of Group and due to this no provision was recognized as of 31 December 2014.

The bank 'Credit Agricole' suit in 2015 year Group with requirement to repay debt in amount USD 3,051 thousand payable as of 31 December 2014 and pay additional payments (fines, penalties, interest for the first half 2015, etc.) in total amount USD 920 thousand. The Group management expects to agree with bank memorandum for restructure debt in 2015 and next years.

Contingencies of debt liabilities

The Group had overdue and breach covenants debt agreements with banks as of 31 December 2014 in total amount USD 29,700 thousand. In case the banks (other than mentioned in Note #32 'Events after the Reporting Period') with overdue payments and breach of covenants as of 31 December 2014 start sue the Group at the date of this consolidated financial statements the total amount of debts that should be repaid is equal to USD 32,672 thousand and additional payments (fines, penalties, interest for the 1st half 2015, etc.) to be paid in total amount USD 644 thousand. The Group management actively conducts negotiations with banks and expects to agree with such banks memorandum for restructure debts with favorable conditions for both parties.

Contingencies of Company business operations

The Company has plans to change it business strategy from 2015 and next years by decreasing harvesting of crops and increasing meat production in proportion applicable for future growth. The Company in process of calculation and analyzing possibilities of such business strategy change and expects due to this enhance of future liquidity and profits. In case new strategy finally adopted by the Company, so the part of land hectares will be sold to third parties and more investments will be done in meat production.

Price level for the Group's produce and key inputsn

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.

Name: S. Mazin
Position: A Director
Signature: ______
Date: February 17, 2016

Name: E. Tazziery
Position: B Director
Signature: ______
Date: February 17, 2016

Name: L. Omelchenko
Position: Chief Financial Officer
Signature: ______
Date: February 17, 2016

KSG Agro S.A.

R.C.S. Luxembourg B 156.864

Audited Consolidated Financial Statements
for the year ended 31 December 2014

Contents

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;
- Compliance with ESMA Guidelines
- 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 consolidated financial statements as of 31 December 2014 and for the year then ended were approved on February 17, 2016.

S.V. Mazin	L.L. Omelchenko
(Chief Executive Officer)	(Chief Financial Officer)

MSV

Grant Thornton
An instinct for growth™

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REPORT OF REVISEUR D'ENTREPRISES AGREE

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of KSG Agro S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the Réviseur d'Entreprises Agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the Réviseur d'Entreprises Agréé's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risks assessments, the Réviseurs d'Entreprises Agréé considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

Basis for Adverse Opinion

We draw attention to Note 3 to consolidated financial statements which indicates that the Group during the year ended 31 December 2014 incurred a net loss of USD 78,841 thousand (2013 year – USD 28,836 thousand), incurred negative operating cash flows of USD 5,835 thousand (2013 year – USD 1,157 thousand), and, as of 31 December 2014, the Group's current liabilities exceeded its current assets by USD 61,839 thousand (2013 year – USD 25,097 thousand) and the Group's consolidated equity attributable to the owners decreased by USD 63,133 thousand (2013 year – USD 31,781 thousand). These evolutions were caused by the escalation of the political and economic crisis in Ukraine, sharp exchange rate volatility and annexation of Crimea which deprived Group of about 30% of its land bank. The validity of the going concern assumption depends upon successful implementation of the Group's new strategy and approval of its restructuring plan by its creditors. The Group actively conducts negotiations with its creditors but at the date of this report no formal agreements have been signed yet by a large part of debt counterparties. The consolidated financial statements assume that the Group will succeed in this regard.

However, in the light of the unaudited interim condensed consolidated financial statements for the periods ending 31 March, 30 June and 30 September 2015, there are evidences that the Group probably will not fulfil its objectives in terms of sales (revenues targeted to USD 34.3 Mio for the year 2015 vs. USD 10.3 Mio as of Q3 2015) and liquidity (current ratio targeted to 1.1x for 2015 vs. current ratio of 0.47x, 0.19x and 0.28x respectively for Q1, Q2 and Q3 2015). These events indicate multiple material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern and therefore the Group may be unable to realize its assets and discharge its liabilities in the normal course of business. The consolidated financial statements do not disclose the related up to date qualitative and quantitative information regarding the status of its restructuring plan and the realisation of its business objectives that would enable the users of the consolidated financial statements to ensure the validity of the underlying assumptions that supports going concern basis of preparation.

We were unable to apply audit procedures that permit to ensure the identification of all Group's open or potential litigations. As a result, we were unable to determine the completeness and accuracy of disclosures made in note 28 "Contingencies and commitments" and in note 32 "Events after the Reporting Period" of the consolidated financial statements and whether adjustments might have been necessary in respect of provisions for litigations or any other impacts in balances or contingencies related to entities subject to open litigations. In addition, the unaudited stand-alone trial balance of the Group's mother company (the "Mother Company"), KSG Agro S.A., is indicative of current liabilities that exceeded current assets by USD 458 thousand as of 31 December 2015. Also, we have identified that the Mother Company is sued in front of the Luxembourg courts for unpaid invoices. Those procedures may lead to the liquidation of the Mother Company. The consolidated financial statements do not disclose these facts.

For entities classifying expenses by function IAS 1 requires to disclose additional information on the nature of expenses, including depreciation and amortisation expense and employee benefits expense. The consolidated financial statements do not include information regarding the nature of the expenses of the caption "Cost of Sales" amounting to USD 28,744 thousand and USD 69,230 thousand respectively for years ending 31 December 2014 and 2013.

As disclosed in Note 32 "Events after the Reporting Period" to the consolidated financial statements, the subsidiaries Souz-3 LLC was put in bankruptcy following court decisions subsequent to 31 December 2014. This implies that at the date of this opinion the carrying amount of the goodwill of Souz-3 LLC should be nil. This information related to the value of this goodwill at the date of this opinion is not disclosed in the consolidated financial statements. In addition we were unable to obtain sufficient appropriate information as to whether adjustments might have been necessary in respect of the contributing balances or contingencies related to Souz-3 LLC as of 31 December 2014, namely regarding its goodwill amounting to USD 2,830 thousand as of this date.

As disclosed in Note 11 "Biological assets" to the consolidated financial statements, the Group in its operational activity uses area of approximately 63 thousand hectares as at 31 December 2014. The Group cannot provide analytics or other alternative information that permit us to confirm the correctness of the split of the actual expenses between the planted crops and land fallow (disclosed in Note 10 "Inventories and Agricultural Produce") in the consolidated financial statements as of 31 December 2014. As a result we were unable to confirm the correctness of split expenses between the planted crops and land fallow, and accordingly we were unable to determine whether adjustments might have been necessary in respect of fair value crops and land fallow totalling 1,075 USD thousand as of 31 December 2014.

The Group could not provide the source documents regarding the promissory notes issued in the amount USD 269 thousand as of 31 December 2014 and disclosed in Note 19 "Promissory notes issued". We were unable to satisfy ourselves by alternative means of the existence and the valuation of theses promissory notes. As a result, we were unable to determine whether adjustments might have been necessary in respect of the carrying value of the promissory notes issued as of 31 December 2014.

The recoverability of some long-term and short-term account receivables is supported by future cash flow budgets that are based on Management assumptions. As disclosed in the accounting policies on impairment of financial assets carried at amortised cost, these assets incurred a loss event at year end as they are related to Ukrainian counterparties that are subject to adverse change in their payment status as a result of change in the local economic conditions. We were unable neither to obtain sufficient appropriate information that permits us to determine the adequacy of Management assumptions that support the recoverable value of these assets and nor to assess by alternative procedures their recoverability. Thereby we could not estimate whether long-term and short-term account receivables as of 31 December 2014 in the amount USD 1,129 thousand and USD 74 thousand respectively are subject or not to an impairment.

The recoverability of long-term promissory notes is supported by future cash flow budgets that are based on Management assumptions. As disclosed in the accounting policies on impairment of financial assets carried at amortised cost, these assets incurred a loss event at year end as they are related to Ukrainian counterparties that are subject to adverse change in their payment status as a result of change in the local economic conditions. We were unable to obtain sufficient appropriate information that permits us neither to determine the adequacy of Management assumptions that support the recoverable value of these assets and nor to assess by alternative procedures their recoverability. Thereby we could not estimate whether long-term promissory notes receivable as of 31 December 2014 in the amount USD 570 thousand are subject or not to an impairment.

We were unable to obtain sufficient appropriate information regarding the correctness of the following captions included in the consolidated statement of cash flows for the year 2014: change in inventories and agricultural produce (USD 38 thousand), exchange differences (USD 17,663 thousand), change in trade and other accounts receivable (USD 1,222 thousand), change in current biological assets (USD 2,350 thousand), change in trade and other accounts payable (USD 1,700 thousand), interest paid in operating activities (USD 2,841 thousand), income tax paid (USD 6 thousand), interest paid in investing activities (USD 505 thousand), proceeds from bank loans and other borrowings (USD 4,344 thousand), repayment of bank loans (USD 10,789 thousand), term deposit received/placed (USD 9,530 thousand), repayment of financial lease liabilities (USD 191 thousand) and effect of exchange rate differences on cash and cash equivalents

(USD 2,973 thousand). As a result, we were unable to determine whether corrections or adjustments might have been necessary in respect of these captions for the year 2014.

We were unable to obtain sufficient appropriate information supporting the completeness of the Group's subsequent events, as a result, we were unable to determine whether adjustments or additional disclosures might have been necessary.

We were unable to obtain sufficient appropriate information supporting the Group employee compensation expenses, as a result, we were unable to determine whether adjustments might have been necessary in respect of expenses for employee compensation amounting to USD 675 thousand for the year 2014.

Adverse Opinion

In our opinion, because of the lack of disclosures of up to date information regarding going concern assumptions, the missing information regarding the nature of expenses of the caption "Cost of Sales", the lack of disclosures regarding open litigations and their potential impacts, and the missing disclosures regarding the impact on goodwill of the adverse events that occurred with Souz-3 LLC mentioned in the Basis for Adverse Opinion paragraph, the consolidated financial statements of KSG Agro S.A. do not give a true and fair view of the consolidated financial position of the Group as at 31 December 2014, and of its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2013 were audited by another auditor who expressed a modified opinion on those consolidated financial statements on 2 August 2014. As of the date of this modified opinion, the predecessor auditor emphasised the existence of material uncertainties that might cast significant doubt of the Group's ability to continue as a going concern and the absence of reliable information on the assumptions of the 2014 budget. In addition the predecessor auditor was unable to assess the completeness of all balances, transactions and off balance sheet commitments of KSG Agro Polska, a Polish subsidiary. Lastly the predecessor auditor put in evidence a potential tax risk regarding intra-group transactions with KSG Agricultural and Industrial Holding Limited, a Cyprus subsidiary that could lead to the recognition of additional tax provisions.

Report on other legal and regulatory requirements

The management report, including the corporate governance statement, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and includes the information required by the law with respect to the Corporate Governance Statement.

Luxembourg, February 17, 2016

Hugues WANGEN
Réviseur d'Entreprises Agréé
Grant Thornton Lux Audit S.A.

KSG Agro S.A.

Consolidated Statement of Financial Position

as at 31 December 2014

In thousands of US dollars	Note	31 December 2014	31 December 2013 (Restated)(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	20,219	22,772
Long-term receivables	13	2,227	-
Deferred expense		1,025	1,280
Promissory notes receivable		570	819
Term deposits	12	-	14,245
Total non-current assets		**70,848**	**149,299**
Current assets			
Current biological assets	11	5,555	32,923
Inventories and agricultural produce	10	4,309	12,981
Trade and other accounts receivable	13	6,920	30,339
Deferred expense		255	255
Taxes recoverable and prepaid	14	1,054	6,076
Income tax prepaid		9	130
Term deposits	12	2,646	5,132
Cash and cash equivalents	12	(148)	131
Total current assets		**20,600**	**87,967**
TOTAL ASSETS		**91,448**	**237,266**
EQUITY			
Share capital	15	150	150
Share premium	15	37,366	37,366
Treasury shares	15	(112)	(112)
Retained earnings		(38,804)	11,352
Currency translation reserve		(13,012)	(35)
Equity attributable to the owners of the Company		**(14,412)**	**48,721**
Non-controlling interests		**11,541**	**28,757**
TOTAL EQUITY		**(2,871)**	**77,478**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	17	11,063	43,588
Promissory notes issued	19	215	1,264
Deferred tax liability	25	857	2,127
Total non-current liabilities		**12,135**	**46,979**
Current liabilities			
Loans and borrowings	17	55,626	59,804
Trade and other accounts payable	18	24,496	51,257
Share purchase warrant	16	-	258
Promissory notes issued	19	1,636	910
Taxes payable		415	571
Income tax payable		11	9
Total current liabilities		**82,184**	**112,809**
TOTAL LIABILITIES		**94,319**	**159,788**
TOTAL LIABILITIES AND EQUITY		**91,448**	**237,266**

(i) Restatement – see note Note #34.

Approved for issue and signed on behalf of the Board of Directors on February 17, 2016

S.V. Mazin
(Chief Executive Officer)

L.L. Omelchenko
(Chief Financial Officer)

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

MSV

KSG Agro S.A.

Consolidated Income Statement

for the year ended 31 December 2014

In thousands of US dollars	Note	2014	2013 (Restated)(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	2,259	16,001
Cost of sales	21	(28,744)	(69,230)
Gross profit/(loss)		**(183)**	**4,955**
Government grant received	14	1,805	3,807
Selling, general and administrative expenses	22	(2,844)	(8,409)
Other operating income		935	81
Other operating expenses		(83)	-
Operating (loss)/profit		**(370)**	**434**
Finance income	24	1,319	2,468
Finance expenses	24	(14,391)	(14,011)
Foreign currency exchange gain/(loss), net	34	(22,227)	(1,324)
Loss on impairment of goodwill	9	(827)	(6,261)
Other expenses	23	(17,283)	(7,302)
Gain/(Loss) on acquisition/(disposal) of subsidiaries and associates	5	4	(3,324)
Gain on share purchase warrant	16	258	131
Loss before tax		**(53,517)**	**(29,189)**
Income tax benefit/(expense)	25	281	587
Loss for the year		**(53,236)**	**(28,602)**
(Loss)/Profit attributable to:			
Owners of the Company		(50,156)	(31,567)
Non-controlling interest		(3,080)	2,965
Loss for the year		**(53,236)**	**(28,602)**
Earnings per share			
Weighted-average number of common shares outstanding		15,020,000	14,970,290
Basic earnings per share, USD		(3.34)	(2.11)
Diluted earnings per share, USD		(3.34)	(2.11)

(i) Restatement – see note Note #34.

Approved for issue and signed on behalf of the Board of Directors on February 17, 2016.

S.V. Mazin
(Chief Executive Officer)

L.L. Omelchenko
(Chief Financial Officer)

M&V

Consolidated Statement of Comprehensive Income/(Loss)

for the year ended 31 December 2014

In thousands of US dollars	Note	2014	2013 (Restated)(i)
Loss for the year		(53,236)	**(28,602)**
Other comprehensive income/(loss), net of income tax			
Items that will not be reclassified subsequently to profit or loss:		-	-
Items that will be reclassified subsequently to profit or loss:			
Currency translation differences		(25,605)	(234)
Related income tax impact		-	-
Total comprehensive loss for the year		**(78,841)**	**(28,836)**

Total comprehensive loss attributable to:

Owners of the Company	(63,133)	(31,783)
Non-controlling interests	(15,708)	2,947
Total comprehensive loss for the year	**(78,841)**	**(28,836)**

(i) Restatement – see note Note #34.

Approved for issue and signed on behalf of the Board of Directors on February 17, 2016.

S.V. Mazin
(Chief Executive Officer)

L.L. Omelchenko
(Chief Financial Officer)

MSV

KSG Agro S.A.

Consolidated Statement of Cash Flows (continued)

for the year ended 31 December 2014

in thousands of US dollars	Note	2014	2013
Cash flows from operating activities			
Loss before tax		**(53,517)**	**(29,189)**
Adjustments for:			
Depreciation and amortization		7,132	8,831
Impairment and write-off of trade and other accounts receivable	0	4,249	2,141
Write-off TAR (Crimea) and prepayments	23	5,631	-
Impairment of VAT receivable	0	1,558	1,094
Reversal of impairment of provision for inventory		(312)	-
Provision for inventory	0	434	1,912
Unrealised gain on biological assets and agricultural produce	11	(2,259)	(16,001)
Loss from dead crops	23	3,209	-
Exchange differences		17,663	-
Gain on share purchase warrant	16	(258)	(131)
Loss on disposal of property, plant and equipment	23	235	650
Interest expenses	0	11,836	10,779
Finance income	0	(909)	(2,161)
Loss/(Gain) on acquisition and disposal of subsidiaries	5	(9)	4,032
Loss on fines and penalties	23	1,443	1,419
Goodwill impairment	9	827	6,261
Unwinding of discount	24	(410)	380
Amortization of financial instruments	24	2,398	925
Other		(37)	-
Operating cash flows before working capital changes		**(1,096)**	**(9,058)**
Change in trade and other accounts receivable		(1,222)	(16,254)
Change in current biological assets		2,350	27,379
Change in inventories and agricultural produce		38	(19,740)
Change in trade and other accounts payable		(1,700)	26,045
Cash generated from operations		**(1,630)**	**8,372**
Interest paid		(2,841)	(8,835)
Income tax paid		(6)	(694)
Cash used in operating activities		**(4,477)**	**(1,157)**
Cash flow from investment activities			
Acquisition of property, plant and equipment		(1,952)	(11,916)
Proceeds from disposal of property, plant and equipment		-	1,481
Interest paid		(505)	-
Disposal of subsidiaries/(assets held for sale), net of cash disposed	5	(16)	696
Acquisition of subsidiaries, net of cash acquired		-	(501)
Loan given		(61)	-
Interest received		865	2,161
Term deposit received/(placed)		9,530	(10,523)
Settlement of prior year business combination liability		-	(5,655)
Disposal of assets held for sale		-	1,104
Net cash generated from / (used in) investment activities		**7,861**	**(23,153)**

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

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In thousands of US dollars	Note	2014	2013
Cash flow from financing activities			
Proceeds from bank loans and other borrowings		4,344	88,419
Repayment of bank loans		(10,789)	(62,808)
Contributions to share capital		-	1
Promissory note settlement		-	(143)
Repayment of financial lease liabilities		(191)	(2,067)
Net cash (used in) / received from financing activities		**(6,636)**	**23,402**
Net (decrease)/increase in cash and cash equivalents		(3,252)	(908)
Cash and cash equivalents at the beginning of the year	12	131	711
Effect of exchange rate differences on cash and cash equivalents		2,973	328
Cash and cash equivalents at the end of the year	12	**(148)**	**131**

Approved for issue and signed on behalf of the Board of Directors on February 17, 2016.

S.V. Mazin
(Chief Executive Officer)

L.L. Omelchenko
(Chief Financial Officer)

MSV

KSG Agro S.A.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2014

In thousands of US dollars	Note	Attributable to owners of the Company: Share capital	Share premium	Treasury shares	Prepayment for future share issue	Currency translation reserve	Retained earnings	Total attributable to owners of the Company	Non-controlling interest	Total equity
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 loss		-	-	-	-	(216)	-	(216)	(18)	**(234)**
Total comprehensive loss 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**
Crimea disposal		-	-	-	-	-	-	-	(1,508)	**(1,508)**
Loss for the year		-	-	-	-	-	(50,156)	(50,156)	(3,080)	**(53,236)**
Other comprehensive loss		-	-	-	-	(12,977)	-	(12,977)	(12,628)	**(25,605)**
Total comprehensive loss for the year		-	-	-	-	(12,977)	(50,156)	(63,133)	(15,708)	**(78,841)**
Balance as at 31 December 2014		**150**	**37,366**	**(112)**	**-**	**(13,012)**	**(38,804)**	**(14,412)**	**11,541**	**(2,871)**

Approved for issue and signed on behalf of the Board of Directors on February 17, 2016.

S.V. Mazin
(Chief Executive Officer)

L.L. Omelchenko
(Chief Financial Officer)

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

MSV

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 2011 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 number of employees of the Group as at 31 December 2014 was 835 employees (31 December 2013: 1,449 employees).

2. Scope of consolidation

The Group's parent is ICD Investments S.A. (65%), registered in Switzerland, and the ultimate controlling party is Mr. Sergiy Kasianov. Remain Group's shares (35%) listed on the Warsaw Stock Exchange.

The 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:

			Effective ownership ratio, %	
Operating entity	**Principal activity**	**Country of registration**	**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%	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 Dniprovsky 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%
Agrofirm 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%

			Effective ownership ratio, %	
Operating entity	**Principal activity**	**Country of registration**	**31 December 2014**	**31 December 2013**
Rantye LLC	Agricultural production	Ukraine	50%	50%
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 - Uyutne 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 over them starting from October 01, 2014, so deconsolidation of these companies was provided and net assets were written off to zero.

Representative office in Poland (**) was closed in January 2014.

On the annual basis companies with voting rights less than 51% tests for the compliance with IFRS 10 regarding existence of control. In these consolidated financial statements presented subsidiaries with absolute control over operating activity and cash flows and total responsibilities for the incurred profits or losses.

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

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 interpritations of IFRS issured by International Financial Reporting Interpretations Committee ("IFRIC") 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 costs to sell.

Going concern assumption. The accompanying consolidated financial statements have been prepared assuming that the Group 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. The Group management assumptions are based on following judgements:

- change of Group business strategy from 2015 and next years by decreasing harvesting of crops and increasing meat production in proportion applicable for future growth;
- sale of parts of land bank according to expecting new business strategy;
- continuing increase of meat production and sales;
- restructure of current debts by partly repaying and signing new debt agreements;
- continue optimization of internal operating processes in order to decrease expenses;
- searching new contractors and signing agreements for sale of crops using USD prices.

The Group incurred a total comprehensive loss of USD 78,841 thousand during the year ended December 31, 2014 and as of that date current liabilities of the Group exceeded its current assets by USD 61,584 thousand. The Group has negative net equity of USD 2,871 thousand as at December 31, 2014. This gives rise to a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Operating companies of KSG Agro S.A. have accumulated losses to date, significant new business opportunities have arisen. In particular, these opportunities have arisen in pigs breeding segment. The management has included these new business opportunities within their scenario based forecasts and on this basis the management believes there is a reasonable expectation that the Group will continue in operational existence for the foreseeable future. Accordingly, the management continues to adopt the going concern basis in preparing the financial statements.

Consolidated financial statements. Group recognise controls on subsidiary if next criteria are met:
- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of the Group's returns.

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.

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 subsidiaries 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 Group. 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, 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.

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 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.

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. 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 all of 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 long term receivables, promissory note receivables, term deposits, trade and other accounts receivable, cash and cash equivalents.

Classification of financial liabilities. The Group's financial liabilities include loans, borrowings, trade and other payables, financial lease, promissory notes issued and derivative financial instruments. Financial liabilities are measured subsequently at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

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.

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.

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. 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. Recognized on consolidation lease agreements are amortized on straight line method over the term of the agreements without considering possible prolongation.

Property, plant and equipment. Property, plant and equipment items are stated at cost less accumulated depreciation and, where applicable, accumulated impairment. 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 is recognised in profit or loss. An impairment 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:

	Useful lives in years
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.

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, 19 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 weighted-average cost capital based on risk profile of the Group.

Livestock. The fair value of non-current livestock is determined by using valuation techniques, as there is no market for sows of the same physical conditions, such as weight, age and breed. The fair value of livestock is based on expected 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.

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, sows, fruit gardens and long-term grass 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 date 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 is recognised in profit or loss.

Impairment of financial assets carried at amortised cost. Impairment 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 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 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 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 account within the profit or loss for the year.

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.

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.

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.

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.

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.

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. 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.

Finance income and costs. Finance income and costs mainly comprise interest income and cash on 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

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 the prior years results;
- the average productive life of livestock is determined based on internal statistical information;
- evaluation of non-current livestock based on restorable principle;
- market prices for grains 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.

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 1,061 thousand (31 December 2013: USD 638 thousand).

Allowance for doubtful receivables. The Group periodically assesses recoverability of receivables from main debtors. In the case objective evidence of uncollectability is in place, allowance is provided for the amount of doubtful receivables. No allowance for receivables from related parties is charged. Additionally a general provision for doubtful debts is provided on all receivables due for more than 365 days.

Cost of inventories. At each reporting date the Group carries out assessment of goods for signs impairment of initial value. As at December 31, 2014 the Group's management uses method of individual assessment of each unit of goods. The same approach was used in 2013.

Goodwill. Goodwill arising from the acquisition of subsidiaries 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 (estimated under five-year cash flows financial plans) 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 is recognised. Impairment 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 25% 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.

Fair value measurement. Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available – Note 16) and non-financial assets (Note 9, 11). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date

Income tax and deferred taxes The Group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

5. Business Acquisitions and Disposals

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

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

Deconsolidation of Crimean companies which net assets in aggregate make up a negative value of USD 81 thousand due to liabilities exceeding assets at the date of disposal by USD 1,587 thousand and after derecognition of non-controlling interest in amount USD 1,672 thousand and forex translation reserve in amount USD 166 thousand gives a net gain (which also accounts for USD 77 thousand of loss on bargain sale of LLC ”Pivdenne”) on disposal of subsidiaries for the year equal to USD 4 thousand.

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.

In thousands of US dollars	**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)**

In March 2014 the Crimea was occupied by the Russian Federation. Since July 2014, companies located in the territory of peninsula were reregistered under Russian legislation. Over time, these companies ceased to fulfill the instructions from Ukrainian management. The main reason for the loss of operational control is the fact that since October, local management was not able to carry out sowing of winter crops.

Due to a loss of operating control the Crimean companies were deconsolidated in September 2014. On the basis of Crimean subsidiaries’ financials as at the date of the loss of control the related impacts were as follows:

In thousands of US dollars	**Yelizavetove**	**Kirovske**	**Prudy**	**Uyutne**	**Hlebodar**	**Total**
Voting right acquired (+)/disposed (-)	(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%)	(49.95%)	
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	(501)	566	557	767	283	1,672
Plus translation difference	(157)	(33)	(16)	56	(16)	(166)
Gain / (Loss) on disposal	**(1,138)**	**303**	**(36)**	**178**	**612**	**(81)**
Total purchase consideration						
Cash and cash equivalents disposed	2	11	-	1	-	14
Exchange difference	-	2	-	-	-	2
Outflow (+) /inflow (-) of cash on acquisition/disposal	**2**	**13**	**-**	**1**	**-**	**16**

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.

In thousands of US dollars	**SFG Bulah LLC**	**Agro-Dnestr LLC**	**World Food LLC**	**Total**
Voting right acquired (+)/disposed (-) (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. According to the p. 17 IFRS 11 Companies assessed their rights and obligations by considering the structure and legal form of the arrangement in the contractual arrangement that does not provide the establishment of joint venture. Dobrobut as a cooperation of landlords have only legal rights on land and future benefits from rent after 31/12/15 without real facilities to generate cash flows. The Group has all rights to the assets, and obligations for the liabilities that give us foundation use IFRS 11 p. B14 and define such joint activity as a joint operation.

6. Material non-controlling interests in subsidiaries

The summary disclosure of non-controlling interest as at 31 December 2014 and 2013 presented below:

In thousands of US dollars	**Portion**	**Voting rights**	**Profit or loss attributable to NCI**	**OCI attributable to NCI**	**Net assets attributable to NCI**	**Dividends paid to NCI**
As at 31 December 2014						
Parisifia ltd Group	50%	50%	(309)	(12,089)	12,312	-
PrJSC Pererobnyk	75%	50%	(2,713)	(599)	(734)	-
Agrotechnologiya LLC	49%	49%	(58)	60	(92)	-
Total			**(3,080)**	**(12,628)**	**11,486**	**-**
As at 31 December 2013						
Parisifia ltd Group	50%	50%	3,715	(18)	26,557	-
PrJSC Pererobnyk	75%	50%	(591)	-	2,357	-
Agrotechnologiya LLC	49%	49%	(159)	-	(197)	-
Total			**2,965**	**(18)**	**28,717**	**-**

“Parisifia ltd Group” contain next companies: Agrotrade LLC; Factor D; Rantye; Agroplaza LLC; Stepove LLC; Dzherelo LLC; Kolosyste LLC.

KSG Energy Group LTD, Parisifia LTD and Abondanza SA companies have immaterial NCI effect thus in current note such companies were not considered.

The summarised financial information of these subsidiaries (including the impact of consolidation fair value adjustments, but before intercompany eliminations), was as follows at 31 December 2014 and 2013:

In thousands of US dollars	**Current assets**	**Non-current assets**	**Current liabilities**	**Non-current liabilities**	**Net assets**
As at 31 December 2014					
Parisifia ltd Group	8,092	48,305	(23,543)	(8,245)	24,609
PrJSC Pererobnyk	505	7,494	(5,729)	(3,249)	(979)
Agrotechnologiya LLC	311	190	(688)	-	(187)
Total	**8,908**	**55,989**	**(29,960)**	**(11,494)**	**23,443**
As at 31 December 2013					
Parisifia ltd Group	20,886	90,513	(42,216)	(16,070)	53,113
PrJSC Pererobnyk	729	16,963	(7,284)	(7,266)	3,142
Agrotechnologiya LLC	245	739	(1,387)	-	(403)
Total	**21,860**	**108,215**	**(50,887)**	**(23,336)**	**55,852**

In thousands of US dollars	**Revenue**	**Profit/(loss)**	**Total comprehensive (loss) / income**
As at 31 December 2014			
Parisifia ltd Group	11,352	(617)	(24,780)
PrJSC Pererobnyk	1,761	(3,617)	(4,416)
Agrotechnologiya LLC	354	(119)	4
Total	**13,467**	**(4,353)**	**(29,192)**

In thousands of US dollars	**Revenue**	**Profit/(loss)**	**Total comprehensive (loss) / income**
As at 31 December 2013			
Parisifia ltd Group	17,520	7,495	7,459
PrJSC Pererobnyk	1,451	(789)	(789)
Agrotechnologiya LLC	3,713	(324)	(324)
Total	**22,684**	**6,382**	**6,346**

7. New Accounting Pronouncements

As from 1 January 2014, the Group adopted all changes to International Financial Reporting Standards (IFRSs) which are relevant to its operations. This adoption did not have a material effect on the financial statements of the Group.

The following Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for annual periods beginning on 1 January 2014. 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 19 (Amendments) "Defined Benefit Plans: Employee Contributions" (effective for annual periods beginning on or after 1 July 2014).
- Improvements to IFRSs 2010-2012 (effective for annual periods beginning on or after 1 July 2014).
- Improvements to IFRSs 2011-2013 (effective for annual periods beginning on or after 1 July 2014).

Standards and Interpretations not adopted by the EU:

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018).
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016).
- IFRS 15 "Revenue from contracts with customers" (effective for annual periods beginning on or after 1 January 2017).
- IFRS 16 “Leases” (effective for annual periods beginning on or after 1 January 2019)
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016).

- IFRS 11 'Accounting for acquisitions of Interests in Joint Operations'" (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IAS 1: Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016).
- Annual Improvements to IFRSs 2012–2014 Cycle (effective the latest as from the commencement date of its first annual period beginning on or after 1 January 2016).
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016).
- IAS 27 (Amendments) "Equity method in separate financial statements" (effective for annual periods beginning on or after 1 January 2016).
- IAS 16 and IAS 41 (Amendments) "Bearer plants" (effective for annual periods beginning on or after 1 January 2016).
- IAS 16 and IAS 38 (Amendments) "Clarification of acceptable methods of depreciation and amortisation" (effective for annual periods beginning on or after 1 January 2016).
- The Board of Directors expects that the adoption of these financial reporting standards in future periods will not have a material effect on the financial statements of the Group.

Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants" that effective for annual periods beginning on or after 1 January 2016 will not have any retrospective impact on the consolidated financial statements after it implementation.

After implementation potential impact from bearer plants accounting due to requirements IAS 16 would be as follows:
a) Cost model – depreciation expenses raises and finishing of recognition the "gain on initial recognition at fair value and net change in fair value of biological assets less estimated point-of-sale costs";
b) Revaluation model - finishing of recognition the "gain on initial recognition at fair value and net change in fair value of biological assets less estimated point-of-sale costs". Recognition of revaluation diviations through other comprehensive income and raise of depreciation expenses.

8. Property, Plant and Equipment

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

In thousands of US dollars	**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	2,110	134	833	675	3,752
Disposals	(1,119)	(2,287)	(1,071)	(1,658)	(6,135)
Transfers	833	(1,075)	(266)	508	-
Depreciation charge	(2,331)	(1,903)	(729)	-	(4,963)
Exchange differences, cost	(25,786)	(14,561)	(3,968)	(8,950)	(53,265)
Exchange difference, depreciation	3,703	5,088	1,747	-	10,538
Carrying amount as at 31 December 2014	**22,447**	**7,178**	**1,667**	**8,962**	**40,254**
At 31 December 2014					
Cost	27,127	12,638	3,336	8,962	52,063
Accumulated depreciation	(4,680)	(5,460)	(1,669)	-	(11,809)
Carrying amount as at 31 December 2014	**22,447**	**7,178**	**1,667**	**8,962**	**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 20% (2013: 18%).

Included in agricultural equipment are assets held under finance leases with a carrying value of USD 1,424 thousand (2013: USD 8,082 thousand) (Note 17).

For amount of property, plant and equipment pledged to secure bank loans refer to Note 17.

9. Intangible Assets

In thousands of US dollars	31 December 2014	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**

The following table represents movements in the goodwill:

In thousands of US dollars	2014	2013
Carrying amount as at 1 January	**8,816**	**15,265**
Goodwill impairment	(827)	(6,261)
Goodwill arising on acquisition/(disposal) of subsidiaries (Note 5)	-	(188)
Exchange differences	(4,153)	-
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:

In thousands of US dollars	31 December 2014	31 December 2013
Soyuz-3	2,830	5,583
Unirem Agro	525	1,036
Agrotehnologiya	-	923
Other	481	1,274
Total goodwill	**3,836**	**8,816**

The Group performed its annual impairment test in December 2014. The Group considers the correlation of its net assets value against market capitalisation, among other factors, when reviewing for indicators of impairment.

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 (after forex impact UAH/USD from 7,993 at December 31, 2013 to 11,874 – average for the year 2014), goodwill allocated to Agrotehnologiya LLC was impaired in full by USD 621 thousand (UAH 7,378 thousand), goodwill allocated to Dnipro LLC (part of Other) was impaired in full by USD 39 thousand and goodwill allocated to Agro-Golden LLC (part of Other) was impaired by USD 167 thousand. Goodwill allocated to all other companies is not impaired since their value-in-use exceeds their carrying value.

Apart from the considerations in determining the value-in-use, management is not currently aware of any other probable changes that would necessitate changes in its key estimates. However, the estimate of recoverable amount for the crop production is particularly sensitive to the crops market price. If the crops price used is decreased by 20%, a further impairment of USD 906 thousand would have to be written-off against goodwill.

As at 30 September 2015 the Companies Unirem Agro Plus LLC and Agrofirm Vesna LLC are de-consolidated due to the fact, that control was transferred to third parties. Also, as at the date of financial statement authorisation Company Souz-3 LLC were in bankruptcy process according to lawsuits

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

In thousands of US dollars	2014	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 difference, cost	(8,030)	-
Exchange difference, amortisation	3,537	-
At 31 December	**2,699**	**11,037**
Cost	5,139	14,810
Accumulated amortisation	(2,440)	(3,773)
Carrying amount as at 31 December	**2,699**	**11,037**

The average remaining useful life of land lease rights as at 31 December 2014 is 5 years.

10. Inventories and Agricultural Produce

In thousands of US dollars	31 December 2014	31 December 2013
Agricultural produce	1,358	4,629
Agricultural stock	1,257	2,873
Work in progress	1,051	2,555
Goods for resale	177	655
Fuel	144	459
Spare parts	93	207
Building materials	85	844
Other	144	759
Total inventories and agricultural produce	**4,309**	**12,981**

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

In 2014, a total of USD 434 (2013: 1,912) thousand of inventories was included in profit or loss as an expense. This includes an amount of USD 166 (2013: 1,557) thousand resulting from write-down of inventories. Also, due to increase of crops market price in 2014 the amount of USD 371 (2013: zero) thousand was recognised as reversal of previously write down expenses.

11. Biological Assets

	2014		2013	
	Units	**Amount**	**Units**	**Amount**
Non-current biological assets (livestock)				
Cattle	403	235	622	931
Sows	4,556	19,685	4,169	15,296
Boars	29	7	39	36
	Area, ha	**Amount**	**Area, ha**	**Amount**
Non-current biological assets (crops)				
Lucerne	688	215	1,977	6,281
Other perennial grasses	-	77	-	228
Total non-current biological assets		**20,219**		**22,772**

	2014		2013	
Current biological assets (livestock)	**Units**	**Amount**	**Units**	**Amount**
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		**25,774**		**55,695**

The total area of agricultural land used by the Group is approximately 63 thousand hectares, including approximately 30 thousand hectares under winter crops as at 31 December 2014.

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

In thousands of US dollars	**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
Change resulting from business acquisitions, net	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	15,184	7,366	22,550
Sales	-	(8,854)	(8,854)
Gain/(loss) arising from changes in fair value attributable to physical changes and changes in market prices	(16,637)	18,896	2,259
Harvested during the period	(16,479)	-	(16,479)
Loss from dead crops	(2,756)	-	(2,756)
Exchange differences	(13,620)	(13,026)	(26,646)
Carrying amount as at 31 December 2014	**3,699**	**22,075**	**25,774**

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

In thousands of US dollars	**Crops**	**Livestock**	**Total**
Raw materials	5,547	5,234	10,781
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	2,920	844	3,764
Total costs incurred during the period	**15,184**	**7,366**	**22,550**

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

In thousands of US dollars	**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:

In thousands of US dollars	**2014**	**2013**
Crops in the field	1,477	24,301
Agricultural produce at the date of harvesting	(16,967)	(24,754)
Lucerne	(1,186)	6,281
Sows	16,509	11,112
Livestock husbandry	2,747	63
Dairy cows	(361)	(1,002)
Gardens	40	-
Total gain on initial recognition at fair value and net change in fair value of biological assets	**2,259**	**16,001**

In the year 2013 cows evaluated by DCF model at level 3 mainly (based on milk production). In 2014 Group decided to change model cattle as life weight meat at level 1 as active market exists.

Description	Fair value as at 31 December 2014	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	99 per tonne
			Discount rate	33.63%
Cattle	358	Market Price	Meat price, USD	1,163 per tonne
Sows	19,685	Discounted cash flows	Piglets production, heads (average)	120,590 per year
			Price, USD	1,593–2,734 per tonne
			Discount rate	33.63%
Pigs	2,025	Market Price	Meat price, USD	1,209–2,114 per tonne
Fruit trees	77	Discounted cash flows	Productivity - tonnes per year	270
			Fruit price, USD	101–1,142 per tonne
			Discount rate	33,63 %

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

Crop harvested	2014 in tonnes	2013 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	2,683	30,563
Total	**72,415**	**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:

In thousands of US dollars	Effect on fair value of biological assets
10 % increase in price for meat	6,696
10 % decrease in price for meat	(6,696)
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	(2,444)
5 % decrease in discount rate	3,296

12. Cash and Cash Equivalents and Term Deposits

In thousands of US dollars	31 December 2014	31 December 2013
Cash in bank / (Overdraft)	(148)	131
Cash on hand	-	-
Total cash and cash equivalents	**(148)**	**131**
Term deposits – non-current	-	14,245
Term deposits – current	2,646	5,132
Total deposits	**2,646**	**19,377**

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

	31 December 2014		31 December 2013	
In thousands of US dollars	Cash and cash equivalents	Term deposits	Cash and cash equivalents	Term Deposits
UAH	(166)	2,646	93	10,351
EUR	2	-	12	-
USD	8	-	26	9,026
PLN	8	-	-	-
Total	**(148)**	**2,646**	**131**	**19,377**

As of 31 December 2014 the cash on banks accounts in amount USD 7,734 thousand was foreclosed by Ukraine executive authorities in favour of 3rd parties according to court decisions.

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

13. Trade and Other Accounts Receivable

In thousands of US dollars	31 December 2014	31 December 2013
Trade accounts receivable	4,514	17,875
Less: provision for trade accounts receivable	(3,185)	(1,940)
Loans issued	2,631	10,230
Less: provision for loans issued	(1,098)	-
Other financial receivables	2,335	2,034
Less: provision for financial receivables	(125)	(793)
Loans to employees	-	54
Total financial trade and other receivables	**5,072**	**27,460**
Advances issued	2,144	3,112
Less: provision for advances issued	(296)	(233)
Total trade and other accounts receivable	**6,920**	**30,339**

As at 31 December 2013 the Trade and Other Accounts receivables has been restated. This restatement has been detailed in the note 34.

As at 31 December 2014 almost all financial receivables were denominated in UAH (31 December 2013: 99%), detailed information presented in note 29 – Currency risk.

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.

Long-term accounts receivable in amount USD 2,227 thousand are presented at amortised cost. These receivables are consist of trade receivables in amount 1,129 and loan provided in amount USD 1,098 thousand.

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

In thousands of US dollars	Trade receivables	Other receivables	Loans issued	Advances issued
Impairment at 31 December 2012	**118**	**529**	**-**	**178**
Impairment during the year	1,822	264	-	55
Impairment at 31 December 2013	**1,940**	**793**	**-**	**233**
Reclassification of bad debt allowance	(10)	(379)	426	(37)
Impairment during the year	2,933	11	1,032	273
Exchange differences	(1,678)	(300)	(360)	(173)
Impairment at 31 December 2014	**3,185**	**125**	**1,098**	**296**

Analysis by credit quality of financial receivables is as follows:

	31 December 2014			**31 December 2013**		
In thousands of US dollars	**Trade receivables**	**Loans issued**	**Other receivables**	**Trade receivables**	**Loans issued**	**Other receivables**
Neither past due nor impaired						
- Related parties	337	116	338	592	8,404	-
Total neither past due nor impaired	**337**	**116**	**338**	**592**	**8,404**	**-**
Total overdue						
- less than 90 days overdue	1,953	35	56	10,953	62	335
- 91 to 180 days overdue	206	230	-	1,384	-	-
- 181 to 360 days overdue	382	63	1,775	4,118	1,170	-
- over 360 days overdue	1,636	2,187	166	828	594	1,699
Total overdue	**4,177**	**2,515**	**1,997**	**17,283**	**1,826**	**2,034**
Less: provision for impairment	(3,185)	(1,098)	(125)	(1,940)	-	(793)
Total trade and other receivables	**1,329**	**1,533**	**2,210**	**15,935**	**10,230**	**1,241**

Related parties are represented by the private companies controlled by the majority shareholder of the Group.

Overdue accounts receivable are mainly presented by the amounts due from the entities under common control (refer to Note 27). 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.

14. Taxes recoverable and prepaid, government grants received

In thousands of US dollars	31 December 2014	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 1,805 thousand and USD 3,807 thousand respectively.

15. Share Capital and Share Premium

As of December 31, 2014 and 2013, the registered share capital of KSG AGRO S.A. amounted to USD 150,200 and comprised 15 020 thousand ordinary shares with a par value of USD 0.01 each. All issued shares were fully paid.

In thousands of US dollars, except number of shares	**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**
Changes in Equity	**-**	**-**	**-**	**-**
At 31 December 2014	**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. In the year 2013 KSG Agro S.A. buy-back 32 172 shares in amount USD 122 thousand. There were no any changes in share capital during the year 2014.

Non-distributable reserve was accrued totalling an amount USD 112 thousand in the statutory financial statements as required by Luxembourg law.

Earnings per share calculation

Basic earnings per share were calculated through dividing net profit for the year attributable to ordinary shareholders of the parent company, by the average-weighted number of common shares outstanding during the year. Diluted earnings per share are calculated through dividing the net profit attributable to ordinary shareholders of the parent company (after adjustments to interest on convertible preference shares), by the average-weighted number common shares outstanding during the year plus the average-weighted number of common shares to be issued in case of the conversion of all potential common shares with dilutive effect. The Group has put options warrants which contingent realisation would have an anti-dilutive effect on basic earnings per share given that the strike price of the warrants is higher than the market price for underlying common stock (Note #16).

Information about earnings and number of shares used when calculating basic and diluted earnings per share is as follows:

In thousands of US dollars	**2014**	**2013**
Loss for the year attributable to owners of the Company – basic	**(50,156)**	**(31,567)**
Profit/(loss) from discontinued operations attributable to ordinary shareholders of the parent company	-	-
Interest on convertible preference shares	-	-
Loss for the year attributable to owners of the Company – diluted	**(50,156)**	**(31,567)**
Weighted-average number of shares in issue – basic	**15,020,000**	**14,970,290**
Dilutive effect	-	-
Stock option	-	-
Convertible preference shares	-	-
Weighted-average number of shares in issue – diluted	**15,020,000**	**14,970,290**
Basic earnings per share, USD	**(3.34)**	**(2.11)**
Diluted earnings per share, USD	**(3.34)**	**(2.11)**

16. Put Option and Share Purchase Warrants

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

In exchange for the Put Option the Gsroup 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 Group's ordinary shares and a promissory note to GEM in respect of the fee (Note 32). 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 Group 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 Group'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. As of December 31, 2014 warrant has been impaired down to nil due to economic indicators such as stock price and volatility, as a result the Group recognized gain on share purchase warrant in amount USD 258 thousand.

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

In thousands of US dollars	31 December 2014	31 December 2013
Long-term		
Financial lease liabilities	789	3,185
Bank loans	10,274	40,403
Total long-term loans and borrowings	**11,063**	**43,588**
Current		
Financial lease liabilities	635	3,747
Bank loans	46,121	50,528
Other borrowings	8,870	5,529
Total current loans and borrowings	**55,626**	**59,804**

Since 2011 has been continuing litigation between the Group and Rodovyd Bank regarding lawfulness of loan repayment by third party using private property. According to the last court decisions repayment agreement was recognized as void and the Group as official borrower in amount of USD 2,083 thousand. Under such loan were accrued interest expenses (USD 947 thousand), inflation expenses (USD 658 thousand) and penalties (USD 215 thousand).

As a result of Ukrainian crises several banks of Ukraine have been forced to start liquidation process. In order to ensure repayment due to bank depositors was decided to sign 3 side agreement with borrower (the Group), bank (Cambio Bank PJSC) and individuals. As other borrowings in current financial statement presented such loan due to individuals in amount of USD 3,516 thousand and respectively have been accrued interests in amount of USD 1,451 thousand.

All those obligations are presented as "other borrowings" in the financial statements of the Group.

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

In thousands of US dollars		2014	2013
Borrowings denominated in:	- USD	26,585	37,308
	- UAH	24,923	49,033
	- EUR	15,181	17,051
Total loans and borrowings		**66,689**	**103,392**

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

In thousands of US dollars	**2014**	**2013**
Loans and borrowings due:		
- within 1 year	55,626	59,804
- between 1 and 5 years	11,063	43,588
Total borrowings	**66,689**	**103,392**

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

In thousands of US dollars	**31 December 2014**	**31 December 2013**
Property, plant and equipment	9,760	40,918
Receivables (Property rights under agreements on agricultural produce selling)	3,368	4,686
Term deposit	2,646	19,377
Inventory	2,336	1,393
Biological assets	6,935	32,975
Total carrying amount of collateral	**25,045**	**99,349**

As at December 31, 2014 a related party pledged as collateral real estate of contractual value of USD 4,572 thousand for respective liabilities of the Group to the amount of USD 14,167 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 16.457 thousand as at 31 December 2014 (2013: USD 1,360 thousand as non current). Consequently, non-current loan amounting to USD 16,457 thousand, which contractually matures in 2016, was classified as maturing within one year (2013: USD 1,360 thousand as non current).

As of December 31, 2014 the Group had loans payable (including interests) with overdue payments in amount USD 13,243 thousand. At the same time the Group is in negotiations with its creditors to achieve restructuring of its debts. Due to this breach and the fact that the negotiations with its finance providers had not been finalised by the end of the year, all the loans were classified into the short term borrowings of the Group. No pending litigation exists in respect with these cases.

Leased assets with the carrying amount of USD 1,268 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 79 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 1,268 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:

In thousands of US dollars	**31 December 2014**	**31 December 2013**
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**

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:

In thousands of US dollars	**2015**	**2016**	**2017**	**2018**	**Total**
Future minimum lease payments	788	507	415	9	1,719
Less: interest expenses	(153)	(98)	(44)	-	(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:

In thousands of US dollars	**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:

In thousands of US dollars	**31 December 2014**	**31 December 2013**
Amounts payable under financial lease agreements:		
During 1 year	788	4,321
Over 1 year but no more than 5 years	931	3,920
Total lease payments	**1,719**	**8,241**

18. Trade and Other Accounts Payable

In thousands of US dollars	**31 December 2014**	**31 December 2013**
Trade payables	10,665	23,986
Financial assistance received	5,694	1,705
Payables for own promissory notes	1,304	2,552
Land lease payables	1,274	3,116
Promissory notes issued to GEM	213	496
Other accounts payable	2,243	2,560
Total financial trade and other payables	**21,393**	**34,415**
Prepayments received	2,617	15,885
Litigation reserve	387	-
Wages and salaries accrued	99	957
Total trade and other payables	**24,496**	**51,257**

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

19. Promissory notes issued

In thousands of US dollars	**31 December 2014**	**31 December 2013**
Long-term promissory notes issued	215	1,264
Current promissory notes issued	1,636	910
Total promissory notes issued	**1,851**	**2,174**

Long term and short term promissory notes issued in amount USD 215 and 1,636 thousand are presented at amortised cost; initial cost of these financial liabilities is equal to USD 234 and 1,699 thousand respectively (including interest charged **–** USD 73 thousand).

20. Revenue

In thousands of US dollars	**2014**	**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

In thousands of US dollars	**2014**	**2013**
Cost of agricultural produce and processed food	27,890	66,923
Cost of rendered services	854	2,307
Total cost of sales	**28,744**	**69,230**

22. Selling, General and Administrative Expenses

In thousands of US dollars	**2014**	**2013**
Wages and salaries	675	1,613
Informational, expert and consulting services	651	1,717
Depreciation and amortisation	472	593
Transport services	249	1,761
Fuel and other materials	140	334
Bank services	136	467
Crops storage services	75	820
Taxes, other than income tax	27	-
Other expenses	419	1,104
Total selling, general and administrative expenses	**2,844**	**8,409**

The total fees for audit services provided to the Group for the year 2014 are USD 112 thousand (2013 **–** USD 110 thousand).

23. Other Expenses

In thousands of US dollars	**2014**	**2013**
Other expenses		
Impairment of accounts receivable from Crimean companies	4,385	-
Impairment of accounts receivable	4,249	2,141
Loss of lucerne in Crimea	2,756	-
VAT written off	1,558	1,094
Accounts receivable and prepayments write-off	1,246	-
Fines and penalties	1,197	-
Loss of harvest	453	-
Inventories write-off	268	355
Provision for litigations	246	-
Loss on PPE disposal	235	650
Write-down of inventories	166	1,557
Other	524	1,505
Total other expenses	**17,283**	**7,302**

24. Finance Income and Expenses

In thousands of US dollars	2014	2013
Finance income		
Interest income	909	2,361
Unwinding of discount on non-current financial assets	410	107
Total finance income	**1,319**	**2,468**
Finance expenses		
Interest expense on bank loans	(11,702)	(10,772)
Interest expense on trade loan	(324)	(371)
Interest expense under financial lease	(356)	(416)
Discount on non-current financial assets	(2,398)	(1,041)
Unwinding of discount on long-term financial liabilities	(26)	(115)
Other finance expenses	(131)	(2,137)
Finance expenses	**(14,937)**	**(14,852)**
Less: amounts capitalised on qualifying assets (Note 8)	546	841
Total finance expenses	**(14,391)**	**(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:

In thousands of US dollars	2014	2013
Current tax expense	(13)	(64)
Deferred tax benefit/(expense)	294	651
Income tax benefit/(expense)	**281**	**587**

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

In thousands of US dollars	2014	2013
Loss before tax	**(53,517)**	**(29,189)**
- (Loss) attributable to FAT payers	(37,846)	(17,263)
- (Loss) attributable to Ukrainian subsidiaries	(13,790)	(10,526)
- (Loss) / Profit attributable to other Group companies	(1,881)	(1,400)
Income tax (benefit) / expense related to Ukrainian subsidiaries	2,482	2,000
Income tax (benefit) / expense related to other Group companies	373	5
• non-deductible expense	(112)	(1,319)
• change in unrecognised deferred tax asset	(2,462)	(703)
• change related to tax payer status change (from CPT to FAT)	-	604
Income tax benefit/(expense)	**281**	**587**

Deferred taxes movement for the year 2014 presented below:

In thousands of US dollars	31 December 2013	Credited/ (charged) to income statement	Translation difference	31 December 2014
Tax effect of deductible temporary differences				
Accounts receivable	59	146	(65)	140
Promissory notes received	38	(8)	(17)	13
Gross deferred tax asset	**97**	**138**	**(82)**	**153**
Tax effect of taxable temporary differences				
Property, plant and equipment	(2,224)	156	1,058	(1,010)
Gross deferred tax liability	**(2,224)**	**156**	**1,058**	**(1,010)**
Recognised deferred tax asset/(liability)	**(2,127)**	**294**	**976**	**(857)**

Deferred taxes movement for the year 2013 presented below:

In thousands of US dollars	31 December 2012	Credited/ (charged) to income statement	Credited/ (charged) to equity	31 December 2013
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 operation 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.

- *Livestock 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.

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.

During 2014, the Group's revenues depended on main customers as follows:

Crop production segment – 3 counterparties: USD 3,723 thousand or 25%, USD 3,252 thousand or 22%, USD 2,669 thousand or 18%;
Livestock breeding segment – 3 counterparties: USD 3,335 thousand or 47%, USD 849 thousand or 12%, USD 802 thousand or 11%;
Other operations segment – 2 counterparties: USD 573 thousand or 20%, USD 347 thousand or 12%.
Food processing segment – 1 counterparty: USD 539 thousand or 36%;

Information about operating segments as at 31 December 2014 presented below:

In thousands of US dollars	**Crop production**	**Food processing**	**Livestock breeding**	**Other operations**	**Total**
ASSETS					
Non-current assets	15,182	7,727	43,529	4,410	70,848
Current assets	9,103	(2,129)	5,561	8,065	20,600
TOTAL ASSETS	**24,285**	**5,598**	**49,090**	**12,475**	**91,448**
LIABILITIES					
Non-current liabilities	697	982	92	10,364	12,135
Current liabilities	38,074	2,246	14,445	27,419	82,184
TOTAL LIABILITIES	**38,771**	**3,228**	**14,537**	**37,783**	**94,319**

Information about operating segments as at 31 December 2013 presented below (i):

In thousands of US dollars	**Crop production**	**Food processing**	**Livestock breeding**	**Other operations**	**Total**
ASSETS					
Non-current assets	48,109	18,126	67,731	15,588	149,554
Current assets	63,241	3,734	5,705	15,032	87,712
TOTAL ASSETS	**111,350**	**21,860**	**73,436**	**30,620**	**237,266**
LIABILITIES					
Non-current liabilities	1,768	2,940	11,191	31,080	46,979
Current liabilities	86,023	4,224	4,164	18,398	112,809
TOTAL LIABILITIES	**87,791**	**7,164**	**15,355**	**49,478**	**159,788**

(i) Restatement – see note Note #34.

Information about operating segments for year 2014 presented below:

In thousands of US dollars	**Crop production**	**Food processing**	**Livestock breeding**	**Other operations**	**Total**
Revenue	16,199	1,569	7,888	4,486	30,142
including:					
- 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	(15,490)	-	19,254	(1,505)	2,259
Cost of sales	(17,478)	(1,369)	(7,105)	(2,792)	(28,744)
Segment profit/(loss)	**(18,042)**	**125**	**19,186**	**(1,452)**	**(183)**
Interest income	31	-	598	280	909
Interest expense	(6,158)	-	(2,730)	(2,837)	(11,725)
Impairment of non-financial assets	(180)	(608)	-	(39)	(827)
Profit/(loss) before tax per segments	**(24,349)**	**(483)**	**17,054**	**(4,048)**	**(11,826)**
Other income/(expense) not allocated	-	-	-	-	(41,691)
Group Loss before tax	-	-	-	-	**(53,517)**
Other segment information:					
Depreciation and amortisation	4,059	549	1,088	1,436	**7,132**
Capital expenditure	(81)	(52)	(1,369)	(28)	**(1,530)**

Information about operating segments for 2013 is as follows:

In thousands of US dollars	**Crop production**	**Food processing**	**Livestock breeding**	**Other operations**	**Total**
Revenue	46,533	7,362	5,687	10,084	69,666
including:					
- 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**
Other income/(expense) not allocated	-	-	-	-	(34,144)
Group Loss before tax	-	-	-	-	**(29,189)**
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 assets and liabilities by geographical segments is based on the domicile of the customers and presented below:

	2014			2013		
In thousands of US dollars	**Europe**	**Ukraine**	**Total**	**Europe**	**Ukraine**	**Total**
ASSETS						
Non-current assets	2,130	68,718	70,848	10,852	138,702	149,554
Current assets	4,556	16,044	20,600	2,696	85,016	87,712
TOTAL ASSETS	**6,686**	**84,762**	**91,448**	**13,548**	**223,718**	**237,266**
LIABILITIES						
Non-current liabilities	10,485	1,650	12,135	28,699	18,280	46,979
Current liabilities	23,835	58,349	82,184	4,327	108,482	112,809
TOTAL LIABILITIES	**34,320**	**59,999**	**94,319**	**33,026**	**126,762**	**159,788**

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

In thousands of US dollars	**2014**	**2013**
Ukraine	26,074	41,984
Europe	228	16,200
Total revenue	**26,302**	**58,184**

27. Related Parties

Significant related party balances outstanding at the reporting dates are:

	31 December 2014		31 December 2013	
In thousands of US dollars	**Parent and owners**	**Entities under common control**	**Parent and owners**	**Entities under common control**
Assets				
Trade and other accounts receivable	1,721	342	-	2,347
Loans issued	-	448	-	8,404
Liabilities				
Trade and other accounts payable	-	2,889	-	1,794
Prepayments received	-	-	-	4,929
Loans	10,297	3,802	10,170	6,327
Interest payable	1,572	92	-	354

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

	2014		2013	
In thousands of US dollars	**Parent and owners**	**Entities under common control**	**Parent and owners**	**Entities under common control**
Sales	-	15	-	3,888
Unwinding of discount on long-term receivable	-	518	-	107
Purchases	-	-	-	63
Interest expenses	918	519	-	482
Capitalized interest costs (Note 8)	-	546	-	841

Purchases from related parties comprised of the following:

	2014		2013	
In thousands of US dollars	**Parent and owners**	**Entities under common control**	**Parent and owners**	**Entities under common control**
Purchase of goods	-	-	-	63
Total	**-**	**-**	**-**	**63**

Entities under common control are companies controlled by majority shareholder – Sergey Kasianov.

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).

Transactions with key management personnel. 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.

During the year 2014 the Group provides repayment for guaranty under loan taken by chairman in amount USD 2,370 thousand. At balance sheet date receivables from key management is equal to USD 1,721 thousand.

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.

There are no other compensations for key management personnel, information about which need to be disclosed.

28. Contingencies and commitments

Legal suits against the Group. As of 31 December 2014 the Group had litigations for repayment of existing payables (except loans payable) in amount USD 1,220 thousand and charging additional fines in amount USD 840 thousand that were continue for 2015 year. The Group estimates that such legal cases will be resolved in favor of Group and due to this no provision was recognized as of 31 December 2014.

The bank 'Credit Agricole' suit in 2015 year Group with requirement to repay debt in amount USD 3,051 thousand payable as of 31 December 2014 and pay additional payments (fines, penalties, interest for the first half 2015, etc.) in total amount USD 920 thousand. The Group management expects to agree with bank memorandum for restructure debt in 2015 and next years.

The Cyprus subsidiary, KSG Agricultural and Industrial Holding Limited, received claims to repay USD 709 thousands in accordance with the terms of a Guarantee agreement. A payment of approximatively USD 450 thousands was done since the introduction of this claim.

Contingencies of debt liabilities. The Group had overdue and breach covenants debt agreements with banks as of 31 December 2014 in total amount USD 29,700 thousand. In case the banks (other than mentioned in Note #32 'Events after the Reporting Period') with overdue payments and breach of covenants as of 31 December 2014 start sue the Group at the date of this consolidated financial statements the total amount of debts that should be repaid is equal to USD 32,672 thousand and additional payments (fines, penalties, interest for the 1st half 2015, etc.) to be paid in total amount USD 644 thousand. The Group management actively conducts negotiations with banks and expects to agree with such banks memorandum for restructure debts with favorable conditions for both parties.

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 and as summarised below:

In thousands of US dollars	**2014**	**2013**
Financial assets		
Long-term receivables	2,227	-
Promissory notes receivable	570	819
Term deposits	2,646	19,377
Trade and other accounts receivable	5,072	27,460
Cash and cash equivalents	(148)	131
Total financial assets	**10,367**	**47,787**

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

At 31 December 2014, the Group had 4 counterparties (31 December 2013: 8 counterparties) with aggregated receivable balances above USD 150 thousand each. The total aggregate amount of these balances was USD 2,322 thousand (31 December 2013: USD 14,300 thousand) or 34% of the net amount of trade and other receivables (31 December 2013: 47%).

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 interest rate had been 5% higher with all other variables held constant, post-tax profit for the year would have been USD 3,015 thousand lower (2013: USD 81 thousand), respectively if interest rate had been 5% lower then profit after tax would have been decrease in the same amount. The impact on Equity would be the same as on the Profit&Losses.

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.

At 31 December 2014 the Group has financial assets and liabilities denominated in foreign currency, net position of which presented below:

In thousands of US dollars	**USD**	**EUR**	**PLN**	**CHF**	**UAH**
Financial assets					
Long-term receivables	1,098	-	-	-	1,129
Promissory notes receivable	-	-	-	-	570
Term deposits	-	-	-	-	2,646
Trade and other accounts receivable	-	389	-	37	4,646
Cash and cash equivalents	8	2	8	-	(166)
Total financial assets	**1,106**	**391**	**8**	**37**	**8,825**
Financial liabilities					
Trade and other accounts payable	(1,792)	(533)	(138)	(6)	(18,924)
Loans and borrowings	(26,585)	(15,181)	-	-	(24,923)
Promissory notes issued	-	(1,555)	-	-	(378)
Total financial liabilities	**(28,377)**	**(17,269)**	**(138)**	**(6)**	**(44,225)**
Total: net value	**(27,271)**	**(16,878)**	**(130)**	**31**	**(35,400)**

Because of this exposure, if the US dollar were to strengthen or weaken by 40 percent against the UAH, it would decrease or increase the Group's profit before tax by USD 10,908 thousand, respectively (31 December 2013: 10% and USD 2,137 thousand).

Because of this exposure, if the Euro were to strengthen or weaken by 40 percent against the UAH, it would decrease or increase the Group's profit before tax by USD 6,751 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:

In thousands of US dollars	Less than 1 year	From 1 year to 2 years	From 2 years to 5 years	Total
Loans and borrowings	54,991	-	10,274	65,265
Future interest cash flow – loans	12,516	918	91	13,525
Financial lease	635	409	380	1,424
Future interest cash flow – financial lease	153	98	44	295
Trade and other payables	21,393	-	-	21,393
Promissory notes issued	1,699	234	-	1,933
Total	**91,387**	**1,659**	**10,789**	**103,835**

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

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.

In thousands of US dollars	31 December 2014	31 December 2013
Total amount of borrowings	68,540	103,392
Less cash and cash equivalents	(148)	131
Net debt	68,688	103,261
Total capital	(2,871)	77,478
Debt to capital ratio	**(2,392)%**	**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.

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 December 2014 till report publishing date, the Group experienced the following significant events in its activity:

- In the light of plans for changing business strategy the Group entered into negotiations and discussions with some prospective buyers about sale of part of its farming entities. At the date of consolidated financial statements publishing there are no formal memorandum signed and no potential buyer found for a 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.

- In first half of 2015 year the bank 'Credit Agricole' due to Group overdue payments as of 31 December 2014 sued the Group with requirement to repay debt in amount USD 3,051 thousand and pay additional payments (fines, penalties, interest for the first half 2015, etc.) in total amount USD 920 thousand. The Group continues sue with bank and expects to agree memorandum of understanding and restructure debt in 2015 year with favourable conditions. As of date of this financial statements the Group and bank were in sue process.

- In first half of 2015 year bank 'Ukrsotsbank' sued the Group with demand to repay debt in amount USD 10,258 thousand due to breach of debt agreement payment schedule in first quarter of 2015 year. The Group negotiated and signed memorandum with bank 'Ukrsotsbank' for debt restructuring on next terms: Group is foreclosed ownership on previously pledged assets (PPE) in amount USD 4,396 thousand and immediately buy this assets in financial leasing from bank 'Ukrsotsbank'.

- The banks with overdue payments and breach of covenants as of 31 December 2014 other than mentioned above didn't sue the Group due to continuing negotiations between Group and banks management.

- The Group has plans to change it's business strategy from 2015 and next years by switching from harvesting of crops to meat production. The Group in process of calculation and analysing possibilities of such change and expects enhance of liquidity and profits. In case new strategy finally adopted the Group the part of land ha will be sold to third parties.

- Big Dutchman Pig Equipment GmdH sued from September 01, 2015 Group Component Rantie LLC for repayment UAH 101,340 thousand (USD 4,600 thousand). As at February 01, 2016 negotiations were held between KSG Agro and representatives of the counterparty. As a result KSG Agro received a restructuration plan which is in the process of signing.

- As at 30 September 2015 the Companies Unirem Agro Plus LLC, Dniproagrostandard LLC (Agricultural Company Chumaki LLC), Dniproagroprogress LLC, Agrofirm Vesna LLC , Vidrodzhennya LLC, Kolosyste LLC are de-consolidated due to the fact, that control was transferred to third parties. As result of disposal of Unirem Agro Plus LLC correspondent Goodwill in amount USD 525 thousand is fully deconsolidated. These Companies helds 24 thousands hectares agricultural lands and generated about 20% of Group revenue for the year 2014.

- Also, as at the date of financial statement authorisation Companies Souz-3 LLC and Agrotrade LLC were in bankruptcy process according to lawsuits; KSG Agro Polska was in final stage of liquidation. Financial effect of these facts cannot be estimated reliably.

33. Foreign currency exchange gain/(loss), net

The net position of FOREX losses as at December 31 presented below:

In thousands of US dollars	**2014**	**2013**
Foreign currency exchange gain	1,130	-
Foreign currency exchange loss	(23,357)	(1,324)
Net amount	**(22,227)**	**(1,324)**

34. Restatement of previously issued consolidated financial statement

After issue of the consolidated financial statements of the Group as at December 31, 2013 and for the year then ended, the Group's management determined that some items were not classified and reported properly.

The above misstatement is related to the following aspects:

Long-term insurance prepayment that arise in January 2013 were recognised as current receivables rather than non-current deferred expense.

Comparative consolidated financial statements of the Group as at 31 December 2013 and for the year ended were restated to recognize errors identified by the management. The results are reflected retrospectively as a previous period recalculation in accordance with IAS 8 «Accounting Policies, Changes in Accounting Estimates and Errors».

The results of restatement of the statement of financial position lines as at 31 December 2013 are presented below:

In thousands of US dollars	**Previously reported**	**Impact of changes**	**Restated**
Non-current assets			
Deferred expense	-	1,280	1,280
Current assets			
Trade and other accounts receivable	31,874	(1,535)	30,339
Deferred expense	-	255	255
Net changes in financial position		**-**	

There is not any impact of the restatement on the impairment of the trade receivables and other receivables as at 31 December 2013.

The results of restatement on the analysis by credit quality of financial receivable as at 31 December are presented below:

In thousands of US dollars	**Trade receivables previously reported**	**Impact of changes**	**Restated**
Neither past due nor impaired			
- Related parties	592	-	592
Total neither past due nor impaired	**592**	**-**	**592**
Total overdue			
- less than 90 days overdue	10,953	-	10,953
- 91 to 180 days overdue	1,384	-	1,384
- 181 to 360 days overdue	4,118	-	4,118
- over 360 days overdue	2,363	(1,535)	828
Total overdue	**18,818**	**(1,535)**	**17,283**
Less: provision for impairment	(1,940)	-	(1,940)
Total trade and other receivables	**17,470**	**(1,535)**	**15,935**

The results of restatement of the statement of comprehensive income lines for the year ended 31 December 2013 are presented below:

In thousands of US dollars	Previously reported	Impact of changes	Restated
Revenue	58,184	-	58,184
Gain on initial recognition at fair value and net change in fair value of biological assets less estimated point-of-sale costs	16,001	-	16,001
Cost of sales	(69,230)	-	(69,230)
Gross profit	**4,955**	-	**4,955**
Gain on acquisition/ (disposal) of subsidiaries	605	(605)	-
Government grant received	3,807	-	3,807
Selling, general and administrative expenses	(8,409)	-	(8,409)
Other operating income	81	-	81
Other operating expenses	(7,302)	7,302	-
Operating (loss)/profit	**(6,263)**	**6,697**	**434**
Finance income	2,468	-	2,468
Finance expenses other than those related to share purchase warrant	(15,335)	15,335	-
Finance expenses	-	(14,011)	(14,011)
Foreign currency exchange gain/(loss), net	-	(1,324)	(1,324)
Loss on impairment of goodwill	(6,261)	-	(6,261)
Other expenses	-	(7,302)	(7,302)
Gain/(Loss) on acquisition/(disposal) of subsidiaries and associates	(3,929)	605	(3,324)
Gain on share purchase warrant	131	-	131
(Loss)/Profit before tax	**(29,189)**	**-**	**(29,189)**
Income tax benefit/(expense)	587	-	587
(Loss)/Profit for the year	**(28,602)**	-	**(28,602)**

The Group identify some insignificant misstatements in earnings per share calculation for the year 2013 and provide recalculation in comparative information in current year. Updated information presented below:

In thousands of US dollars	Previously reported	Impact of changes	Restated
Earnings per share			
Weighted-average number of common shares outstanding	15,020,000	(49,710)	14,970,290
Basic earnings per share, USD	(2.01)	(0.10)	(2.11)
Diluted earnings per share, USD	(2.01)	(0.10)	(2.11)