KSG Agro S.A.

Management report on 2016 achievements and developments

Chairman's statement

Dear Investors and Partners,

We are hereby pleased to inform you about KSG Agro's achievements and developments in the 2016 financial year.

As we had hoped, our strenuous work, brought, a positive result. Our focus on the increasing operational efficiency was fully justified.

The Company is very thankful to all our partners, who have gave us a helping hand.

The Group continues to implement its strategy of focusing on efficiency farming and pig breeding, and we assume that our new direction of activity - the generation of thermal energy from crop waste - will make a significant contribution to the future result.

We are still working hard to make our results even better. We are sure that the positive trend of the previous year will continue in 2017 to support our continued development.

Chairman of the Board,

Sergiy Kasianov

Management report

1. Strategy implementation in 2016

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 2016, KSG Agro is an agricultural holding with total controlled land bank of approximately 62 thousand hectares (including 28 thousand hectares in Crimea that are not controlled because of the annexation of Crimea).

The Company and its subsidiaries (hereinafter «the Group» or «KSG Agro» or «the Company») implement their development strategy:

Strategy	Implementation in 2016
Focus on farming & pigs breeding and increase its efficiency;	• The total Group's revenue increased by 8.6% from USD 19.3 mln for 2015 to USD 20.9 mln for 2016. • The Company's gross profit increased by 16.5% from USD 11.2 mln for 2015 to USD 13.0 mln for 2016. • The Company's operating profit increased by 17.8% from USD 13.5 mln for 2015 to USD 16.0 mln for 2016.
Searching new contractors and signing agreements for sale of crops using USD prices	• The Group continues its business strategy by increasing meat production and harvested crop in proportion applicable for future growth. Developing meat production segment requires some time and investments. However, during 2016 the company increased volume of sales of pigs by 4% from 5,649 tons to 5,862 tons. The export sales of pigs are 493 tons or USD 0.7 mln. • In June 2016, the entity Rantye LLC carried out the first delivery of the live pigs to Georgia and for the year ended 31 December 2016, KSG Agro share in exports of live pigs from Ukraine amounted to 20%.
Reduction of current debt and the extension period of credit	• Negotiations with International Creditors and suppliers related to the restructuring of the total debt in the amount of USD 18 mln signatured in 2015 of a letter of intent where agreed preliminary debt restructuring terms. According to signed letters of intent, the Group obliged to repay capital amount of debts in ten years' time starting at the 2016. • In May 2016, the Group Management took final decision on selection of legal advisor and commenced process of services agreement preparation.

	• On February 24, 2017 the Company signed restructuring agreements on loans that were overdue as at 31 December 2016 with one of the International Creditors - Big Dutchman Pig Equipment - principal USD 4,174 thousand, interest USD 535 thousand – repayable within 10 years, starting in 2017. • The loans to Group's parent principal USD 10,388 thousand, interest USD 2,997 thousand will be payable in 2026. • In May 2016, overdue loan in amount of USD 0,7 mln due to PJSC Ukrsotsbank was fully reimburse by the Group. • Repayment of overdue loan to one of the Ukrainian banks, in the amount of USD 1,177 thousand, nominated in USD, during 2016 was postponed till 27 December 2017. • The interest rate on the loan to the Ukrainian bank, in the amount of USD 4,230 thousand, nominated in UAH, decreased from 26.24% to 23.68% in proportion to the decrease in the UIRD-index.
The Group continues increase the volume of production of fuel pellets and the of production thermal energy	• In November 2016, KSG Agro Holding continued its program of introducing biomass heat generation in Dnepropetrovsk region, increasing the amount of heat production by 15% from 3.00 to 3.45 MW by installing a boiler in a village school. • In February 2017, completed construction of new pellet boiler station providing heat supply to shopping center in Dnepr with area of about 12 thousand sq. m. Thus, volume of heat generation by holding was increased by 23% – from 3.45 to 4.25 MW.

The consolidated financial statements include the statements of subsidiaries, please see the following link:
http://www.ksgagro.com/investment/financial-reports/reports-for-2016/

2. Corporate governance

The Board of Directors (the "Board") observes the majority of Warsaw Stock Exchange corporate governance rules included in the ”Code of Best Practice for WSE Listed Companies” in the form and to the 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 an 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.

3. Internal controls system

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

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

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

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

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with Ukrainian 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.

4. Financial and operational results

The following table sets forth the Company's results of operations for the years ended 31 December 2016 and 2015 derived from the Consolidated Financial Statements:

(US$ in thousands)	31 December 2016	31 December 2015	Changes in %
Revenue	**20,924**	**19,262**	**8.6%**
Gain on initial recognition at fair value and net change in fair value of biological assets less estimated	10,595	6,207	70.7%
Cost of sales	(18,504)	(14,298)	29.4%
Gross profit	**13,015**	**11,171**	**16.5%**
Government grant received	178	2,078	(91.4)%
Selling, general and administrative expenses	(1,630)	(1,631)	(0.1)%
Other operating income	4,395	1,924	128.4%
Operating profit	**15,958**	**13,542**	**17.8%**
Finance income	1,492	2,027	(26.4)%
Finance expenses	(3,934)	(4,607)	(14.6)%
Foreign currency exchange loss, net	(3,370)	(9,040)	(62.7)%
Loss on impairment of goodwill	(315)	-	-
Other expenses	(5,985)	(4,054)	47.6%
Gain/(Loss) on acquisition/(disposal) of subsidiaries and associates	-	(499)	(100.0)%
Profit/ (loss) before tax	**3,846**	**(2,631)**	**246.2%**
Income tax expenses	67	739	(90.9)%
Profit/ (loss) for the year	**3,913**	**(1,892)**	**306.8 %**
EBITDA	**17,304**	**16,421**	**5.4%**

Revenue

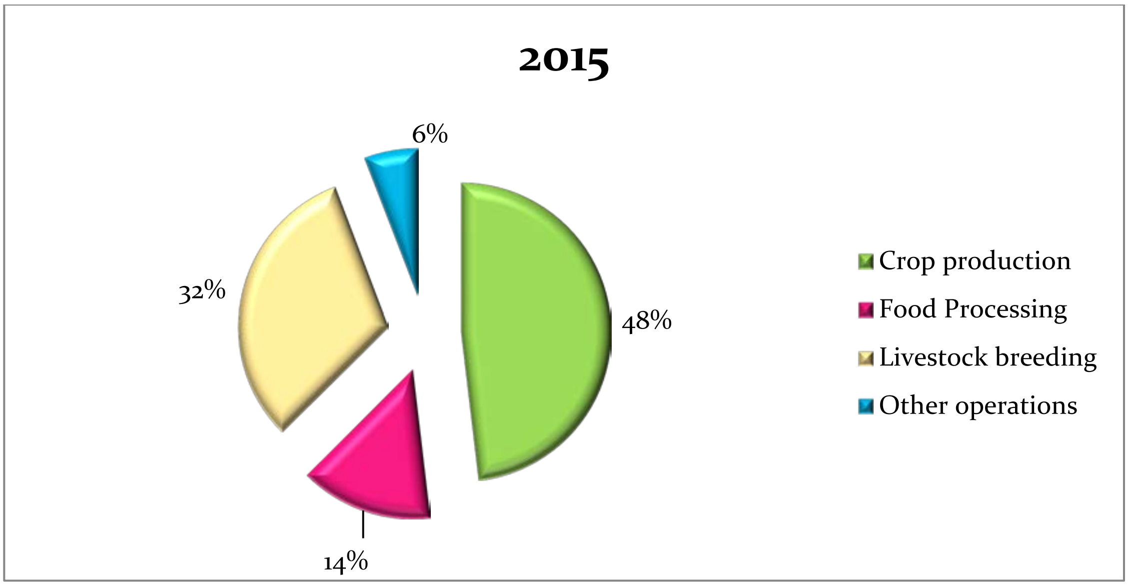
The Company's revenue from sales of finished products increased year-on-year by 8.6% (while cost of sales increased by 29.4%) primarily due to the effect of exchange rate differences.

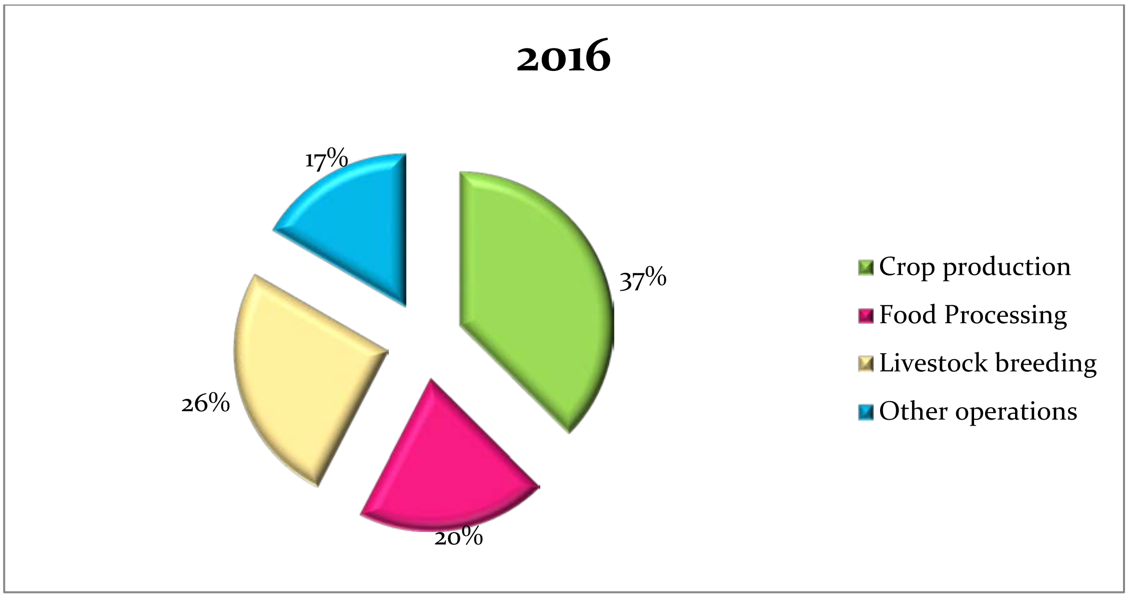
The main segment – crop production – comprises production and sales of wheat, barley, rapeseeds, sundlower, corn and other minor crops. Information about main crops harvested in year 2016 and comparative information for 2015 is as follows:

Crop harvested in thousands tons	2016	2015
Sunflower	20.2	21.0
Wheat	17.5	19.5
Barley	6.2	5.9
Corn**	0.5	2.4
Rapeseeds	0.2	1.9
Other (rye, triticale, lucerne, silage)	6.8	1.0
Total	**51.4**	**51.7**

*** in the 2016 only 138 ha corn for grain, another corn for silage*

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:

	2016	2015	Change,%
Sunflower			
Sales, USD mln	5.6	7.8	(28)%
Sales, thousands tons	18.4	22.0	(16)%
Average price, USD/ton	304.3	354.5	(14)%
Wheat			
Sales, USD mln	1.7	0.7	143%
Sales, thousands tons	13.6	6.5	109%
Average price, USD/ton	125.0	107.7	16%

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

	2016	2015	Change,%
Pigs and piglets			
Total Sales, USD mln	8,5	8,1	5%
Total Sales, thousand heads	88	80	10%
Total Sales, tons	9 286	7 785	19%
Total Average price, USD/kg	0,92	1,04	(12)%
External Sales, USD mln	5,3	5,7	(7)%
External Sales, thousand heads	56	60	(7)%
External Sales, tons	5 862	5 649	4%
External Average price, USD/kg	0,90	1,01	(10)%
Intersegment Sales, USD mln	3,2	2,4	33%
Intersegment Sales, thousand heads	32	20	60%
Intersegment Sales, tons	3 424	2 136	60%
Intersegment Average price, USD/kg	0,93	1,12	(17)%

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, increased by 70.7% from USD 6.2 million for the year ended 31 December 2015 to 10.6 million for the year ended 31 December 2016.

	31.12.2016			31.12.2015		
Current biological assets (crops)	**Area, ha**	**Amount, USD thsd**	**USD/ ha**	**Area, ha**	**Amount, USD thsd**	**USD /ha**
Wheat	7,866	1,427	181	6,644	1,411	212
Barley	2,082	193	93	2,664	242	91
Rapeseed	628	249	396	842	258	308
Sunflower	241	11	46	-	-	-
Total current biological assets	**10,817**	**1,880**		**10,150**	**1,911**	

Cost of sales

The Company's cost of sales increased by 29.4% to USD 18.5 million for the year ended 31 December 2016 from USD 14.3 million for the year ended 31 December 2015 in line with revenue which increased by 8.6%.

Gross profit

The Company's gross profit inreased by 16.5% from USD 11.2 million for the year ended 31 December 2015 to USD 13.0 million for the year ended 31 December 2016.

Cash flows

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

(in USD thousands)	**2016**	**2015**
Net cash flow from operating activities	2,000	1,791
Net cash flow from investing activities	(1,900)	(2,271)
Net cash flow from financing activities	(113)	2,290
Net cash flow for the year	**(13)**	**1,810**

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

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

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

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

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

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

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

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

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

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

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

The main shareholder of the Company as at 31 December 2016 is:

- OLBIS Investments LTD 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 there are 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.

6. Subsequent events

On 24 February 2017 the Company signed restructuring agreements on loans that were overdue as at 31 December 2016 with the Big Dutchman Pig Equipment - principal USD 4,174 thousand, interest USD 535 thousand – repayable within 10 years.

In February 2017, completed construction of new pellet boiler station providing heat supply to shopping center in Dnepr with area of about 12 thousand sq. m. Thus, volume of heat generation by holding was increased by 23% – from 3.45 to 4.25 MW.

7. Business and financial risks

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.

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 individually material balances.

As of 31 December 2016, the Group had 6 counterparties (31 December 2015: 17 counterparties) with aggregated receivable balances above USD 150 thousand (2015: USD 150 thousand) each. The total aggregate amount of these balances was USD 5,869 thousand (31 December 2015: USD 9,941 thousand) or 81% of the net amount of trade and other receivables (31 December 2015: 93%).

Market risk.

The Group takes an 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. As of 31 December 2016, if interest rate had been 5% higher with all other variables held constant, post-tax profit for the year then ended would have been USD 2,176 thousand lower (2015:

USD 5,398 thousand), respectively if interest rate had been 5% lower then profit after tax would have been increased by 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.

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.

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.
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.

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.

28.04.17
S.V. Mazin
(Chief Executive Officer)

28.04.17
L.L. Omelchenko
(Chief Financial Officer)

KSG Agro S.A.

R.C.S. Luxembourg B 156.864

Audited Consolidated Financial Statements and report of the réviseur d'entreprises agréé for the year ended 31 December 2016

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 2016 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 2016, 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 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 2016 and for the year then ended were approved on 28 April 2017.

S.V. Mazin
(Chief Executive Officer)

L.L. Omelchenko
(Chief Financial Officer)

To the Shareholders of
KSG Agro S.A.
24, rue Astrid
L-1143 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGRÉÉ

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Shareholders, we have audited the accompanying consolidated financial statements of KSG Agro S.A., which comprise the consolidated statement of financial position as at 31 December 2016, 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.

Responsibility of the Board of Directors 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 the 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 about 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 risk assessments, the réviseur 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 qualified audit opinion.

Basis for qualified opinion

In our report dated 27 July 2016 on the consolidated financial statements as at 31 December 2015, we raised the following qualifications, which have still an impact on the consolidated financial statements as at 31 December 2016:

IAS 1 requires for Companies, which classify their expenses by function, to disclose additional information on the nature of the expenses, including depreciation and amortisation expense and employee benefits expense. As at 31 December 2015 and for the year then ended, the consolidated financial statements did not include information regarding the nature of the expenses, which compose the caption “cost of sales” amounting to USD 14,298 thousand. Appropriate disclosure is made as at 31 December 2016.

The recoverability of long-term promissory notes receivable is supported by future cash flow that are based on Management assumptions. We were unable to obtain sufficient appropriate information that permits us to determine the adequacy of Management assumptions that support the recoverable value of these assets nor to assess by alternative procedures their recoverability. Thereby we could not estimate whether long-term promissory notes receivable as of 31 December 2016 and 31 December 2015 in the amount of USD 266 thousand and USD 217 thousand respectively, may be subject to an impairment.

Opinion

In our opinion, except for the consequences of the points disclosed in the paragraph “basis for qualified opinion”, the consolidated financial statements give a true and fair view of the consolidated financial position of KSG Agro S.A. as of 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of matter

We draw attention to the paragraphs “operating environment of the Group” and “going concern assumption” in note 3, as well as to the note 16 “loans and borrowings” to the consolidated financial statements. The important losses incurred in 2014, the loss incurred in 2015, the loss of the land bank in Crimea and the breach of bank covenants are events and conditions, which may cast significant doubt on the Group’s ability to continue as a going concern. Since 2015, the Group started to implement its new operating strategy and is in the process to restructure its debts: a letter of intent was signed in December 2015 with international creditors and suppliers, where preliminary restructuring terms are defined. In accordance with such terms, a legal firm was appointed in 2016 to assist parties with the final restructuring documents. Some of the new agreements have been signed at the date of this report.
Our opinion is not qualified in this respect.

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Other information

The Board of directors is responsible for the other information. The other information comprises the information included in the consolidated management report but does not include the consolidated financial statements and our report of réviseur d'entreprises agréé thereon.

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

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

Other matter

The Corporate Governance Statement includes information required by Article 68bis paragraph (1) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

Report on other legal and regulatory requirements

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with the applicable legal requirements.

The information required by Article 68bis paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended and included in the Corporate Governance Statement is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

On behalf of H.R.T. REVISION S.A.
Cabinet de révision agréé

Jean-Philippe Barret
Réviseur d'entreprises agréé

Strassen, 28 April 2017

KSG Agro S.A.

Consolidated Statement of Financial Position

as at 31 December 2016

In thousands of US dollars	Note	31 December 2016	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	8	19,073	22,500
Intangible assets	9	33	570
Long-term biological assets	11	22,163	16,631
Long-term receivables		937	1,238
Deferred expense		514	1,025
Deferred tax assets	25	173	117
Promissory notes receivable		266	217
Term deposits	12	1,534	1,738
Total non-current assets		**44,693**	**44,036**
Current assets			
Current biological assets	11	4,172	4,118
Inventories and agricultural produced	10	1,102	3,759
Trade and other accounts receivable	13	7,321	10,640
Taxes recoverable and prepaid	14	207	601
Cash and cash equivalents	12	1,107	1,147
Total current assets		**13,909**	**20,265**
TOTAL ASSETS		**58,602**	**64,301**
EQUITY			
Share capital	15	150	150
Share premium	15	37,366	37,366
Treasury shares	15	(112)	(112)
Retained earnings		(39,440)	(41,271)
Currency translation reserve		(9,103)	(8,961)
Equity attributable to the owners of the Company		**(11,139)**	**(12,828)**
Non-controlling interests		**6,788**	**5,872**
TOTAL EQUITY		**(4,351)**	**(6,956)**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	16	20,896	17,549
Promissory notes issued	18	-	179
Long-term account payable		253	-
Total non-current liabilities		**21,149**	**17,728**
Current liabilities			
Loans and borrowings	16	24,393	28,881
Trade and other accounts payable	17	15,920	23,093
Promissory notes issued	18	1,365	1,395
Taxes payable		126	160
Total current liabilities		**41,804**	**53,529**
TOTAL LIABILITIES		**62,953**	**71,257**
TOTAL LIABILITIES AND EQUITY		**58,602**	**64,301**

Approved for issue and signed on behalf of the Board of Directors on 28 April 2017.

S.V. Mazin
(Chief Executive Officer)

L.L. Omelchenko
(Chief Financial Officer)

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

KSG Agro S.A.

Consolidated Income Statement

for the year ended 31 December 2016

In thousands of US dollars	**Note**	**2016**	**2015**
Revenue	19	20,924	19,262
Gain on initial recognition at fair value and net change in fair value of biological assets less estimated point-of-sale costs	11	10,595	6,207
Cost of sales	20	(18,504)	(14,298)
Gross profit		**13,015**	**11,171**
Government grant received	14	178	2,078
Selling, general and administrative expenses	21	(1,630)	(1,631)
Other operating income	22	4,395	1,924
Operating profit		**15,958**	**13,542**
Finance income	24	1,492	2,027
Finance expenses	24	(3,934)	(4,607)
Foreign currency exchange gain/(loss), net	33	(3,370)	(9,040)
Loss on impairment of goodwill	9	(315)	-
Other expenses	23	(5,985)	(4,054)
Gain/(Loss) on acquisition/(disposal) of subsidiaries and associates	5	-	(499)
Profit/ (loss) before tax		**3,846**	**(2,631)**
Income tax benefit	25	67	739
Profit/ (loss) for the year		**3,913**	**(1,892)**
Profit/ (loss) attributable to:			
Owners of the Company		1,831	(2,467)
Non-controlling interest	6	2,082	575
Profit/ (loss) for the year		**3,913**	**(1,892)**
Earnings per share			
Weighted-average number of common shares outstanding	15	15,020,000	15,020,000
Basic earnings per share, USD	15	0.12	(0.16)
Diluted earnings per share, USD	15	0.12	(0.16)

Approved for issue and signed on behalf of the Board of Directors on 28 April 2017.

S.V. Mazin
(Chief Executive Officer)

L.L. Omelchenko
(Chief Financial Officer)

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

KSG Agro S.A.

Consolidated Statement of Comprehensive Income/(Loss)

for the year ended 31 December 2016

In thousands of US dollars	Note	2016	2015
Profit/ (loss) for the year		**3,913**	**(1,892)**
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- disposed subsidiaries		-	1,171
Currency translation differences		(1,308)	(2,321)
NCI of disposed subsidiary		-	(1,043)
Related income tax impact		-	-
Total comprehensive income/ (loss) for the year		**2,605**	**(4,085)**
Total comprehensive income/ (loss) attributable to:			
Owners of the Company		1,689	1,584
Non-controlling interests		916	(5,669)
Total comprehensive income/ (loss) for the year		**2,605**	**(4,085)**

Approved for issue and signed on behalf of the Board of Directors on 28 April 2017.

S.V. Mazin
(Chief Executive Officer)

L.L. Omelchenko
(Chief Financial Officer)

In thousands of US dollars	**Note**	**2016**	**2015**
Cash flows from operating activities			
Profit/ (loss) before tax		**3,846**	**(2,631)**
Adjustments for:			
Depreciation and amortization	8,9	1,346	2,879
Impairment and write-off of trade and other accounts receivable and VAT	23	4,226	1,247
Impairment of LLR	9	169	425
Write off of accounts payable	22	(3,325)	-
Impairment of inventory	10	373	-
Provision for inventory	10	-	3
Gain on initial recognition of biological assets and agricultural produced	11	(10,595)	(6,207)
Exchange differences	33	3,370	8,126
Finance expenses other than share purchase warrant	24	3,934	4,607
Finance income	24	(522)	(667)
Gain/(loss) on subsidiaries disposal		-	(1,587)
Goodwill impairment	9	315	-
Unwinding of discount	24	(970)	(1,360)
Other		-	419
Operating cash flows before working capital changes		**2,167**	**5,254**
Change in trade and other accounts receivable		(862)	(14,955)
Change in current biological assets		325	(6,966)
Change in inventories and agricultural produce		4,093	1,269
Change in trade and other accounts payable		(2,063)	18,937
Cash generated from operations		**3,660**	**3,539**
Interest paid		(1,667)	(1,746)
Income tax paid		7	(2)
Cash generated from / (used in) operating activities		**2,000**	**1,791**
Cash flow from investment activities			
Acquisition of property, plant and equipment		(668)	-
Disposal of subsidiaries/(assets held for sale), net of cash disposed		-	(10)
Interest received		521	667
Investment payments		-	(2,018)
Settlement of accounts payable related to investment activities		(1,753)	(910)
Net cash generated from / (used in) investment activities		**(1,900)**	**(2,271)**

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

In thousands of US dollars	Note	2016	2015
Cash flow from financing activities			
Proceeds from bank loans and other borrowings		65	5,273
Repayment of bank loans		(109)	(2,866)
Repayment of financial lease liabilities		(69)	(117)
Net cash (used in) / received from financing activities		**(113)**	**2,290**
Net (decrease)/increase in cash and cash equivalents		(13)	1,810
Cash and cash equivalents at the beginning of the year	12	1,147	(148)
Effect of exchange rate differences on cash and cash equivalents		(27)	(515)
Cash and cash equivalents at the end of the year	**12**	**1,107**	**1,147**

Approved for issue and signed on behalf of the Board of Directors on 28 April 2017.

S.V. Mazin
(Chief Executive Officer)

L.L. Omelchenko
(Chief Financial Officer)

KSG Agro S.A.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2016

In thousands of US dollars	Note	Share capital	Share premium	Treasury shares	Currency translation reserve	Retained earnings	Total attributable to owners of the Company	Non-controlling interest	Total equity
		Attributable to owners of the Company							
Balance as at 31 December 2014		**150**	**37,366**	**(112)**	**(13,012)**	**(38,804)**	**(14,412)**	**11,541**	**(2,871)**
Loss for the year		-	-	-	-	(2,467)	(2,467)	575	**(1,892)**
Other comprehensive income/ (loss)		-	-	-	2,880	-	2,880	(5,201)	**(2,321)**
NCI of disposed subsidiary		-	-	-	-	-	-	(1,043)	**(1,043)**
Forex reserve of disposed entities		-	-	-	1,171	-	1,171	-	**1,171**
Total comprehensive loss for the year		-	-	-	4,051	(2,467)	1,584	(5,669)	**(4,085)**
Balance as at 31 December 2015		**150**	**37,366**	**(112)**	**(8,961)**	**(41,271)**	**(12,828)**	**5,872**	**(6,956)**
Profit/ (loss) for the year		-	-	-	-	1,831	1,831	2,082	**3,913**
Other comprehensive income/ (loss)		-	-	-	(142)	-	(142)	(1,166)	**(1,308)**
Total comprehensive income/ (loss) for the year		-	-	-	(142)	1,831	1,689	916	**2,605**
Balance as at 31 December 2016		**150**	**37,366**	**(112)**	**(9,103)**	**(39,440)**	**(11,139)**	**6,788**	**(4,351)**

Approved for issue and signed on behalf of the Board of Directors on 28 April 2017.

S.V. Mazin
(Chief Executive Officer)

L.L. Omelchenko
(Chief Financial Officer)

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

1. Background

KSG Agro S.A. (the "Company") was incorporated under the name Borquest S.A. on 16 November 2010 as a "Société Anonyme" under Luxembourg company law for an unlimited period. On 08 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 2016 was 577 employees (31 December 2015: 623 employees).

2. Scope of consolidation.

The Group's parent is OLBIS Investments LTD S.A. (65%), registered in Panama 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 2016 and 2015 were as follows:

			Effective ownership ratio, %	
Operating entity	**Principal activity**	**Country of registration**	**31 December 2016**	**31 December 2015**
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 Energy Group LTD ***	Trade of pellet, dormant	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%
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%
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%
Dniproagroprogress LLC **	Agricultural production	Ukraine	-	0.1%
Meat plant Dnipro LLC	Manufacture	Ukraine	100%	100%
Hlebna Liga LLC	Trader	Ukraine	100%	100%
Agrofirm Vesna LLC	Agricultural production	Ukraine	100%	100%
Agrotrade LLC	Agricultural production	Ukraine	50%	50%
Factor D LLC	Agricultural production	Ukraine	50%	50%
Rantye LLC	Agricultural production	Ukraine	50%	50%
PrJSC Pererobnyk	Flour and animals' feed producing	Ukraine	25%	25%
Agroplaza LLC	Intermediate holding company	Ukraine	50%	50%

			Effective ownership ratio, %	
Operating entity	**Principal activity**	**Country of registration**	**31 December 2016**	**31 December 2015**
Stepove LLC	Agricultural production	Ukraine	50%	50%
Dzherelo LLC	Agricultural production	Ukraine	50%	50%
Kolosyste LLC	Agricultural production	Ukraine	50%	50%
Hlebodar LLC *	Agricultural production	Ukraine	50%	50%
Ukrzernoprom - Prudy LLC *	Agricultural production	Ukraine	50%	50%
Ukrzernoprom - Uyutne LLC *	Agricultural production	Ukraine	50%	50%
Ukrzernoprom - Kirovske LLC *	Agricultural production	Ukraine	50%	50%
Ukrzernoprom - Yelizavetove LLC *	Agricultural production	Ukraine	50%	50%
KSG Dnipro LLC (SFG Bulah LLC)	Agricultural production	Ukraine	100%	100%
Ranniy Ranok LLC	Agricultural production	Ukraine	100%	100%
Pererobnyk LLC PE ***	Flour and animals' feed producing, dormant	Ukraine	25%	25%

Companies marked with * are located in Crimea. The Group has no operating control over them starting from01 October 2014, so deconsolidation of these companies was provided and net assets were written off to zero.

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.

The ownership ratio of the Dniproagroprogress LLC** 0.1% was realized in 3 quarter 2016.

Companies market with *** didn't provide operation activity during the year ended 31 December 2016 and are not consolidated.

These consolidated financial statements are presented in thousand of 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 interpretations of IFRS issued 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.

Operating Environment of the Group
The ongoing political and economic instability in Ukraine which commenced at the end of 2013 and led to a deterioration of State finances, volatility of financial markets, illiquidity on capital markets, higher inflation and depreciation of the national currency against major foreign currencies has continued in 2016, though to a lesser extent as compared to 2014–2015.
The inflation rate in Ukraine during 2016 reduced to 12% (as compared to 43% in 2015), while GDP returned to growth of 1% (after 9% decline in 2015).

Devaluation during 2016 has been moderate. As at the date of this report the official exchange rate of Hryvnia against US dollar was UAH 26.73 per USD 1, compared to UAH 27.19 per USD 1 as at 31 December 2016 (31 December 2015: UAH 24.00 per USD 1). In 2016 the National Bank of Ukraine ("NBU") has made certain steps to ease the currency control restrictions introduced in 2014–2015. In particular, the required share of foreign currency for mandatory sale was decreased from 75% to 65% starting from 9 June 2016 and the settlement period for export-import transactions in foreign currency was increased from 90 to 120 days starting from 28 July 2016. Also starting from 13 June 2016, the NBU allowed Ukrainian companies to pay dividends to non-residents with a limit of USD 5 million per month.

The central bank of Ukraine prolonged these restrictions several times during 2015 – 2016 years and the current restrictions are effective until rescinded by the NBU (with minor exceptions, including mandatory conversion of foreign currency proceeds, which are set to expire on 16 June 2017). The IMF continued to support the Ukrainian government under the four-year Extended Fund Facility ("EFF") Programme approved in March 2015, providing the third tranche of approximately USD 1 billion in September 2016. Further disbursements of IMF tranches depend on the continued implementation of Ukrainian government reforms, and other economic, legal and political factors.

The banking system remains fragile due to its weak level of capital, low asset quality caused by the economic situation, currency depreciation, changing regulations and other factors.

The conflict in the parts of Eastern Ukraine which started in spring 2014 has not been resolved to date. The relationships between Ukraine and the Russian Federation remained strained.

On 1 January 2016, the agreement on the free trade area between Ukraine and the EU came into force. Just after that the Russian government implemented a trading embargo on many key Ukrainian export products. In response, the Ukrainian government implemented similar measures against Russian products.

Despite certain improvements in 2016, the final resolution and the ongoing effects of the political and economic situation are difficult to predict but they may have further severe effects on the Ukrainian economy and the Company's business.

Going concern assumption

In determining the appropriate basis of preparation of the consolidated financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. The financial performance of the Group is naturally dependent upon the weather conditions in areas of operations and wider economic environment of Ukraine.

Due to loss of control over Crimea subsidiaries, the Group's financial position and performance in 2014 significantly deteriorated. That caused significant difficulties with timely debt repayment and breach of loan covenants. Also Group's ability to continue its operations within foreseeable future was questioned. To deal with new challenges, In September 2014 the Group's management changed their development strategy. New strategy focused on: optimization of internal operating processes; focus on farming and pig breeding; decrease of loan burden; focusing on export contracts with existing customers. Still the Group management has been successful in implementation of changed strategy and stabilisation of Group financial performance:

- Focus on farming & pigs breeding and increase its efficiency
- Searching new contractors and signing agreements for sale of crops using USD prices
- Reduction of current debt and the extension period of credit

Also at the beginning of June 2016, Group Management signed new international sales contracts with Georgian retailers on sales of pork. These contracts allow to guaranty 25% of sales from pig breeding.

- ***Focus on farming & pigs breeding and increase its efficiency; Searching new contractors and signing agreements for sale of crops using USD prices***

- The Group continues its business strategy by increasing meat production and harvested crop in proportion applicable for future growth. Developing meat production segment requires some time and investments. However, during 2016 the company increased volume of sales of pigs by 4% from 5,649 tons to 5,862 tons. The export sales of pigs are 493 tons or USD 0.7 mln.

- During 2016 the Company concentrated on crop production. Thus total Wheat sales increased for 7,027 tons respectively. Favourable conjuncture and growing prices on wheat resulted in increased respective sales revenue by 143% from USD 0.7 mln to USD 1.7 mln, including sales for export USD 1 mln.

- The Group's revenue increased by 8.6% for the year ended 31 December 2016.

- The Company's gross profit increased by 16.5% from USD 11.2 mln for 2015 to USD 13.0 mln for 2016.

- In June 2016, the entity Rantye LLC carried out the first delivery of the live pigs to Georgia and for the first 9 months of 2016, KSG Agro share in exports of live pigs from Ukraine amounted to 26%.

- ***Reduction of current debt and the extension period of credit***

  - Negotiations with International Creditors and suppliers related to the restructuring of the total debt in the amount of USD 18 mln signatured in 2015 of a letter of intent where agreed preliminary debt restructuring terms. According to signed letters of intent, the Group obliged to repay capital amount of debts in ten years' time starting at the 2016.

  - In May 2016, the Group Management took final decision on selection of legal advisor and commenced process of services agreement preparation.

  - On February 24, 2017 the Company signed restructuring agreements on loans that were overdue as at 31 December 2016 with one of the International Creditors - Big Dutchman Pig Equipment - principal USD 4,174 thousand, interest USD 535 thousand – repayable within 10 years, starting at the 2017.

- The loans to Group's parent principal USD 10,388 thousand, interest USD 2,997 thousand will be payable in 2026.
- In May 2016, overdue loan in amount of USD 0,7 mln due to PJSC Ukrsotsbank was fully repaid by the Group.
- Repayment of overdue loan to one of the Ukrainian banks, in the amount of USD 1,177 thousand, nominated in USD, during 2016 was postponed till 27 December 2017.
- The interest rate on the loan to the Ukrainian bank, in the amount of USD 4,230 thousand, nominated in UAH, decreased from 26.24% to 23.68% in proportion to the decrease in the UIRD-index.
- The Group reached a settlement agreement with Agroscope LLC and Agroscope Ukraine LLC in London Arbitration Court on October 17, 2016.

- ***The Group continues increase the volume of production of fuel pellets and the production of thermal energy***
  - In November 2016, KSG Agro Holding continued its program of introducing biomass heat generation in Dnepropetrovsk region, increasing the amount of heat production by 15% from 3.00 to 3.45 MW by installing a boiler in a village school.

All above mentioned Management actions resulted significant improvement of the Group financial position and performance in 2016. For the year ended 31 December 2016, the Company had comprehensive income of USD 2,605 thousand (2015: comprehensive loss of USD 4,085 thousand). On the results of operation activity, in 2016 the Company received operating profit USD 15,958 thousand (2015: operating profit USD 13,542 thousand).

The Group Management concludes that, as the risks and uncertainties described above included in the cash flow forecast with conservative assumptions are covered by restructuring of overdue borrowings, there is a reasonable expectation that the Company can continue its operations in the foreseeable future and, accordingly, has formed a judgment that it is appropriate to prepare the consolidated financial statements as at and for the year ended 31 December 2016 on a going concern basis. If the Company is not successful in debt restructuring plan, the going concern assumption might not be relevant any longer for the Group or its components. The consolidated financial statements would then need to be totally or partially amended to an extent which today cannot be estimated in respect of: the valuation of the assets at their liquidation value, the incorporation of any potential liability and the reclassification of non-current assets and liabilities into current assets and liabilities.

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.

Special tax for agricultural producers. The Company's subsidiaries in Ukraine engaged in the production, processing and sale of agricultural products may opt for paying a *special tax for agricultural producers* ("Group #4 of Tax payers defined in Tax Code of Ukraine") 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 *special tax for agricultural producers* is assessed at 0.81% 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 2016 five Ukrainian subsidiaries of the Group elected to pay *special tax* (31 December 2015: 4). 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:

	2016	**2015**
USD/UAH as of 31 December	27.1909	24.0007
USD/UAH average for the year	25.5873	21.8123
EUR/UAH as of 31 December	28.4226	26.2231
EUR/UAH average for the year	28.3116	24.1905

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 321 thousand (31 December 2015: USD 330 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 31 December 2016 the Group's Management uses method of individual assessment of each unit of goods. The same approach was used in 2015.

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

No business acquisitions or disposals took place during year ended 31 December 2016.

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

In thousands of US dollars	**2016**	**2015**
Gain/(loss) on acquisition/(disposal) of subsidiaries	-	(1,670)
Translation differences on disposed subsidiaries	-	1,171
Total net gain/(loss)	**-**	**(499)**

6. Material non-controlling interests in subsidiaries

The summary disclosure of non-controlling interest as at 31 December 2016 and 2015 is 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 2016						
Parisifia ltd Group	50%	50%	3,134	(1,329)	9,159	-
PrJSC Pererobnyk	75%	50%	(1,052)	163	(2,382)	-
Total			**2,082**	**(1,166)**	**6,777**	**-**
As at 31 December 2015						
Parisifia ltd Group	50%	50%	1,158	(5,064)	7,354	-
PrJSC Pererobnyk	75%	50%	(593)	(166)	(1,493)	-
Agrotechnologiya LLC*	49%	49%	10	29	-	-
Total			**575**	**(5,201)**	**5,861**	**-**

Agrotechnologiya LLC* disposed in 2015.

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

KSG Energy Group LTD, Parisifia LTD and Abbondanza 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 2016 and 2015:

In thousands of US dollars	**Current assets**	**Non-current assets**	**Current liabilities**	**Non-current liabilities**	**Net assets**
As at 31 December 2016					
Parisifia LTD Group	13,486	44,700	(31,811)	(3,190)	23,185
PrJSC Pererobnyk	1,190	41	(2,552)	(509)	(1,830)
Total	**14,676**	**44,741**	**(34,363)**	**(3,699)**	**21,355**
As at 31 December 2015					
Parisifia LTD Group	4,552	33,764	(20,009)	(3,608)	14,699
PrJSC Pererobnyk	356	1,634	(2,712)	(1,269)	(1,991)
Total	**4,908**	**35,398**	**(22,721)**	**(4,877)**	**12,708**

In thousands of US dollars	**Revenue**	**Profit/(loss)**	**Total comprehensive income / (loss)**
As at 31 December 2016			
Parisifia LTD Group	10,346	8,255	5,292
PrJSC Pererobnyk	18	(214)	(67)
Total	**10,364**	**8,041**	**5,225**

As at 31 December 2015			
Parisifia LTD Group	9,449	2,297	(10,122)
PrJSC Pererobnyk	656	(791)	(221)
Agrotechnologiya LLC *	3	21	60
Total	**10,108**	**1,527**	**(10,283)**

Agrotechnologiya LLC * - till date of control transfer.

7. New Accounting Pronouncements

In the year ended 31 December 2016, the Group has adopted all of the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations, are effective for annual periods beginning on or after 1 January 2016, and were adopted by the European Union (“EU”). This adoption do not have a material effect on the accounting policies of the Group and does not have a material impact on these consolidated financial statements.

Standard/Interpretation	**Effective for annual periods beginning on or after:**
Disclosure Initiative (Amendments to IAS 1)	1 January 2016
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	1 January 2016
Equity Method in Separate Financial Statements (Amendments to IAS 27)	1 January 2016
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	1 January 2016
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	1 February 2015 (EU)
Annual Improvements to IFRSs 2011-2013 Cycle	1 February 2015 (EU)

The Company has not adopted IFRS 14 “Regulatory Deferral Accounts” because it will not be endorsed by the EU.

Up to the date of approval of these financial statements the following standards have been published by the International Accounting Standards Board but were not yet effective:

(i) Endorsed by the European Union

Standard/Interpretation	**Effective for annual periods beginning on or after:**
IFRS 9 “Financial Instruments”	1 January 2018
IFRS 15 “Revenue from Contract with Customers”	1 January 2018

(ii) Not yet endorsed by the European Union

Standard/Interpretation	**Effective for annual periods beginning on or after:**
IFRS 14 “Regulatory Deferral Accounts”	1 January 2016
IFRS 16 “Leases”	1 January 2019
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	1 January 2018
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Deferred indefinitely
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	1 January 2017
Disclosure Initiative (Amendments to IAS 7)	1 January 2017
Clarification to IFRS 15 “Revenue from Contracts with Customers”	1 January 2018
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	1 January 2018
Applying IFRS 9 “Financial Instruments” with IFRS 4 “Insurance Contracts” (Amendments to IFRS 4)	1 January 2018
Transfers of Investment Property (Amendments to IAS 40)	1 January 2018
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2017/ 1 January 2018

The Group did not adopt these new pronouncements early. The Group is still assessing the impact of the new standards on its financial statements, however, it does not expect them to have significant impact to the consolidated financial statements. Management are in particularly assessing the potential impact of two new standards, being IFRS 15 and IFRS 9. The Group has carefully considered IFRS 15 and has initially concluded that there is no impact on the vast majority of its revenue transactions. The Group has also carefully considered IFRS 9 and also believes that the impact of this standard implementation is not significant.

8. Property, Plant and Equipment

Movement of property, plant and equipment for the years ended 31 December 2016 and 2015 was as follows:

In thousands of US dollars	Buildings	Agricultural equipment	Vehicles and office equipment	Construction in progress	Total
At 01 January 2015					
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 01 January 2015	**22,447**	**7,178**	**1,667**	**8,962**	**40,254**
Additions	1,194	248	31	4,082	5,555
Disposals	(3,498)	(1,115)	(127)	(691)	(5,431)
Transfers	2,309	955	16	(3,280)	-
Depreciation charge	(955)	(816)	(536)	-	(2,307)
Disposals of subsidiaries	(808)	(1,049)	(114)	(230)	(2,201)
Exchange differences, cost	(11,330)	(5,078)	(1,141)	(83)	(17,632)
Exchange difference, depreciation	1,693	1,947	622	-	4,262
Carrying amount as at 31 December 2015	**11,052**	**2,270**	**418**	**8,760**	**22,500**
At 31 December 2015					
Cost	14,994	6,599	2,001	8,760	32,354
Accumulated depreciation	(3,942)	(4,329)	(1,583)	-	(9,854)
Carrying amount as at 31 December 2015	**11,052**	**2,270**	**418**	**8,760**	**22,500**
Additions	13	167	105	538	823
Disposals	(2)	(327)	-	-	(329)
Transfers	-	162	268	(430)	-
Depreciation charge	(735)	(467)	(129)	-	(1,331)
Disposals of subsidiaries	-	-	-	-	-
Exchange differences, cost	(1,759)	(927)	(509)	(629)	(3,824)
Exchange difference, depreciation	506	535	193	-	1,234
Carrying amount as at 31 December 2016	**9,075**	**1,413**	**346**	**8,239**	**19,073**
At 31 December 2016					
Cost	13,246	5,674	1,865	8,239	29,024
Accumulated depreciation	(4,171)	(4,261)	(1,519)	-	(9,951)
Carrying amount as at 31 December 2016	**9,075**	**1,413**	**346**	**8,239**	**19,073**

During 2016 the Group did not capitalise borrowing costs (2015: USD 795 thousand) on the construction of a pig-breeding complex (2015: using average rate of 18%) (Note 24) .

Included in agricultural equipment are assets held under finance leases with a carrying value of USD 152 thousand (2015: USD 1,071 thousand) (Note 16).

For amount of property, plant and equipment pledged to secure bank loans refer to Note 16.

9. Intangible Assets

In thousands of US dollars	31 December 2016	31 December 2015
Goodwill	-	336
Land lease rights	33	234
Other	-	-
Total intangible assets	**33**	**570**

The following table represents movements in the goodwill:

In thousands of US dollars	2016	2015
Carrying amount as at 01 January	**336**	**3,836**
Goodwill impairment	(315)	-
Goodwill arising on acquisition/(disposal) of subsidiaries (Note 5)	-	(2,421)
Exchange differences	(21)	(1,079)
Carrying amount as at 31 December	**-**	**336**

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 2016	31 December 2015
Other	-	336
Total goodwill	**-**	**336**

The Group performed its annual impairment test as at 31 December 2016. 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. The recoverable amount of these CGUs as at 31 December 2016 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 18.68%. 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 21.8123 at 31 December 2015 to 25.5873 – average for the year 2016), goodwill allocated to CGUs was impaired since value-in-use of each CGU exceeds its 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.

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

In thousands of US dollars	2016	2015
At 01 January		
Cost	2,357	5,139
Accumulated amortisation	(2,123)	(2,440)
Carrying amount as at 01 January	**234**	**2,699**
Acquisition / (Disposal)	-	(572)
Effect of de-consolidation	-	905
Amortization charge	(15)	(425)
Impairment of LLR	(169)	-
Exchange difference, cost	(268)	(3,262)
Exchange difference, amortisation	251	889
At 31 December	**33**	**234**
Cost	1,920	2,357
Accumulated amortisation	(1,887)	(2,123)
Carrying amount as at 31 December	**33**	**234**

The average remaining useful life of land lease rights as at 31 December 2016 is 3 years.

10. Inventories and Agricultural Produced

In thousands of US dollars	31 December 2016	31 December 2015
Semi-finished goods	219	293
Work in progress	210	430
Agricultural stock	207	660
Finished goods	206	154
Raw materials	152	985
Goods for resale	24	184
Agricultural produce	14	930
Other	70	123
Total inventories and agricultural produced	**1,102**	**3,759**

Agricultural produced consists mainly of sunflower, wheat and barley (31 December 2015: sunflower, wheat and barley). In 2016 the Group recognised inventory write-down USD 373 thousand (2015: USD 3 thousands).

11. Biological Assets

	31 December 2016		31 December 2015	
	Units	**Amount**	**Units**	**Amount**
Non-current biological assets (livestock)				
Cattle	339	139	443	178
Sows	5,121	21,912	4,473	16,323
Boars	28	8	41	12
	Area, ha	**Amount**	**Area, ha**	**Amount**
Non-current biological assets (crops)				
Lucerne	-	-	-	-
Other perennial grasses	33	104	33	118
Total non-current biological assets		**22,163**		**16,631**

	31 December 2016		31 December 2015	
Current biological assets (livestock)	**Units**	**Amount**	**Units**	**Amount**
Cattle	268	76	228	71
Pigs	52,479	2,216	54,327	2,136
Other	-	-	-	-
Current biological assets (crops)	**Area, ha**	**Amount**	**Area, ha**	**Amount**
Wheat	7,866	1,427	6,644	1,411
Barley	2,082	193	2,664	242
Rapeseed	628	249	842	258
Sunflower	241	11		
Total current biological assets		**4,172**		**4,118**
Total biological assets		**26,335**		**20,749**

The total area of agricultural land used by the Group is approximately 34 thousand hectares, including approximately 11 thousand hectares under winter crops as at 31 December 2016.

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 01 January 2015	**3,699**	**22,075**	**25,774**
Purchases	-	48	48
Investments into future crops and livestock	4,512	8,439	12,951
Sales	-	(7,532)	(7,532)
Gain/(loss) arising from changes in fair value attributable to physical changes and changes in market prices	4,441	1,766	6,207
Harvested during the period	(9,094)	-	(9,094)
Disposals of subsidiaries	(3,305)	-	(3,305)
Impairment of lucerne	(155)	-	(155)
Loss from dead crops	(635)	-	(635)
Exchange differences	2,566	(6,076)	(3,510)
Carrying amount as at 31 December 2015	**2,029**	**18,720**	**20,749**
Purchases	-	-	-
Investments into future crops and livestock	5,286	9,073	14,359
Sales	(28)	(8,485)	(8,513)
Gain/(loss) arising from changes in fair value attributable to physical changes and changes in market prices	3,509	7,086	10,595
Harvested during the period	(7,698)	-	(7,698)
Disposals of subsidiaries	-	-	-
Impairment of lucerne	-	-	-
Loss from dead crops	(224)	-	(224)
Exchange differences	(890)	(2,043)	(2,933)
Carrying amount as at 31 December 2016	**1,984**	**24,351**	**26,335**

Costs incurred during the period ended 31 December 2016 on crops in the field and livestock were as follows:

In thousands of US dollars	**Crops**	**Livestock**	**Total**
Raw materials	2,601	8,015	10,616
Land lease expenses	1,130	-	1,130
Staff costs	215	206	421
Depreciation and amortisation	117	795	912
FAT and Special tax for agricultural producers	166	-	166
Other	1,057	57	1,114
Total costs incurred during the period	**5,286**	**9,073**	**14,359**

Costs incurred during the period ended 31 December 2015 on crops in the field and livestock were as follows:

In thousands of US dollars	**Crops**	**Livestock**	**Total**
Raw materials	1,759	7,569	9,328
Land lease expenses	807	-	807
Staff costs	201	229	430
Depreciation and amortisation	165	544	709
FAT and Special tax for agricultural producers	314	-	314
Other	1,266	97	1,363
Total costs incurred during the period	**4,512**	**8,439**	**12,951**

Gain on initial recognition at fair value and net change in fair value of biological assets for the years ended 31 December 2016 and 2015 were as follows:

In thousands of US dollars	2016	2015
Crops in the field	1,258	1,408
Agricultural produced at the date of harvesting	2,251	3,033
Lucerne	-	-
Sows	7,763	2,968
Livestock husbandry	(687)	(1,093)
Dairy cows	10	(109)
Gardens	-	-
Total gain on initial recognition at fair value and net change in fair value of biological assets	**10,595**	**6,207**

Description	Fair value as at 31 December 2016	Valuation technique	Unobservable inputs	Range of unobservable inputs
Crops in the field - Winter wheat	1,427	Discounted cash flows	Crop yield - tonnes per ha Crops price, USD Discount rate	2.60 126 per tonne 18.68%
Crops in the field - Winter barley	193	Discounted cash flows	Crop yield - tonnes per ha Crops price, USD Discount rate	1.85 120 per tonne 18.68%
Crops in the field - Winter rapeseed	249	Discounted cash flows	Crop yield - tonnes per ha Crops price, USD Discount rate	1.76 340 per tonne 18.68%
Sunflower	11	Discounted cash flows	Crop yield - tonnes per ha Crops price, USD Discount rate	0.32 239 per tonne 18.68%
Cattle	215	Market Price	Meat price, USD	858 per tonne
Sows	21,912	Discounted cash flows	Piglets production, heads (average) Price, USD Discount rate	125,292 per year 1,031–2,368 per tonne 18%
Pigs	2,216	Market Price	Meat price, USD	950–1,594 per tonne

Agricultural produced crops harvested during the years ended 31 December 2016 and 2015 were presented in bunker weight as follows:

Crop harvested	2016 in tonnes	2015 in tonnes
Wheat	17,497	19,448
Barley	6,173	5,906
Rapeseed	244	1,945
Sunflower	20,247	20,958
Corn	486	2,431
Total	**44,647**	**50,688**

For amount of biological assets pledged to secure bank loans refer to Note 16. 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	7,427
10 % decrease in price for meat	(7,427)
10 % increase in prices for crops	321
10 % decrease in prices for crops	(321)
10 % increase in yield for crops	321
10 % decrease in yield for crops	(321)
10 % increase in production costs until harvest	(132)
10 % decrease in production costs until harvest	132
5 pp increase in discount rate	(4,983)
5 pp decrease in discount rate	9,682

12. Cash, Cash Equivalents and Term Deposits

In thousands of US dollars	**31 December 2016**	**31 December 2015**
Cash in bank / (Overdraft)	1,107	1,147
Total cash and cash equivalents	**1,107**	**1,147**
Term deposits – non-current	1,534	1,738
Term deposits – current	-	-
Total deposits	**1,534**	**1,738**

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

	31 December 2016		**31 December 2015**	
In thousands of US dollars	**Cash and cash equivalents**	**Term deposits**	**Cash and cash equivalents**	**Term Deposits**
UAH	941	1,534	719	1,738
EUR	14	-	44	-
USD	141	-	356	-
PLN	3	-	6	-
CHF	8	-	22	-
Total	**1,107**	**1,534**	**1,147**	**1,738**

As of 31 December 2016 the cash on banks accounts in amount USD 2 thousand was foreclosed by Ukraine executive authorities in favour of third parties according to court decisions.

For amount of deposits pledged to secure bank loans refer to Note 16.

13. Trade and Other Accounts Receivable

In thousands of US dollars	31 December 2016	31 December 2015
Trade accounts receivable	4,939	6,763
Less: provision for trade accounts receivable	(1,824)	(579)
Loans issued	1,071	2,396
Less: provision for loans issued	(350)	(279)
Other financial receivables	4,989	2,654
Less: provision for financial receivables	(1,542)	(1,731)
Total financial trade and other receivables	**7,283**	**9,224**
Advances issued	154	1,490
Less: provision for advances issued	(116)	(74)
Total trade and other accounts receivable	**7,321**	**10,641**

As at 31 December 2016, almost all financial receivables were denominated in UAH (As at 31 December 2015 almost all financial receivables were denominated in UAH too), 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 2016 and 2015 approximates their carrying amount as of these dates. For amount of receivables pledged to secure bank loans refer to Note 16.
Long-term accounts receivable in amount USD 937 thousand are presented at amortised cost. These receivables are consist of Loans issued in amount 937.

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 2014	**3,185**	**125**	**1,098**	**296**
Reclassification of bad debt allowance	-	-	-	-
Impairment during the year	(980)	1,816	(585)	(722)
Exchange differences	(1,626)	(210)	(234)	498
Impairment at 31 December 2015	**579**	**1,731**	**279**	**74**
Reclassification of bad debt allowance	-	-	-	-
Impairment during the year	1,396	16	111	54
Exchange differences	(151)	(205)	(40)	(12)
Impairment at 31 December 2016	**1,824**	**1,542**	**350**	**116**

Analysis by credit quality of financial receivables is as follows:

	31 December 2016			31 December 2015		
In thousands of US dollars	**Trade receivables**	**Loans issued**	**Other receivables**	**Trade receivables**	**Loans issued**	**Other receivables**
Neither past due nor impaired						
- Related parties	627	83	315	247	75	-
Total neither past due nor impaired	**627**	**83**	**315**	**247**	**75**	**-**
Total overdue						
- less than 90 days overdue	955	127	267	3,450	123	1,619
- 91 to 180 days overdue	1,039	-	408	103	298	28
- 181 to 360 days overdue	444	83	2,320	1,122	5	746
- over 360 days overdue	1,874	778	1,679	1,841	1,895	261
Total overdue	**4,312**	**988**	**4,674**	**6,516**	**2,321**	**2,654**
Less: provision for impairment	(1,824)	(350)	(1,542)	(579)	(279)	(1,731)
Total trade and other receivables	**3,115**	**721**	**3,447**	**6,184**	**2,117**	**923**

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

Not overdue accounts receivable from related parties 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. 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 2016**	**31 December 2015**
VAT recoverable (1)	127	542
Other taxes receivable	80	59
Total taxes recoverable and prepaid	**207**	**601**

(1) As at 31 December 2016, the balance of VAT recoverable was accumulated on continuing capital expenditures and increased investments in working capital.
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 2016 and 2015 were presented by VAT refunds amounting to USD 178 thousand and USD 2,078 thousand respectively.

15. Share Capital and Share Premium

As of 31 December 2016 and 2015, the registered share capital of KSG AGRO S.A. amounted to USD 150,200 and comprised of 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 01 January 2015	**15,020,000**	**150**	**37,254**	**37,404**
Share issue	**-**	**-**	**-**	**-**
At 31 December 2015	**15,020,000**	**150**	**37,254**	**37,404**
Changes in Equity	**-**	**-**	**-**	**-**
At 31 December 2016	**15,020,000**	**150**	**37,254**	**37,404**

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.

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

In thousands of US dollars	**2016**	**2015**
Profit/ (Loss) for the year attributable to owners of the Company – basic	**1,831**	**(2,467)**
Profit/(loss) from discontinued operations attributable to ordinary shareholders of the parent company	-	-
Interest on convertible preference shares	-	-
Profit/ (Loss) for the year attributable to owners of the Company – diluted	**1,831**	**(2,467)**
Weighted-average number of shares in issue – basic	**15,020,000**	**15,020,000**
Dilutive effect	-	-
Stock option	-	-
Convertible preference shares	-	-
Weighted-average number of shares in issue – diluted	**15,020,000**	**15,020,000**
Basic earnings per share, USD	**0.12**	**(0.16)**
Diluted earnings per share, USD	**0.12**	**(0.16)**

16. Loans and Borrowings

In thousands of US dollars	**31 December 2016**	**31 December 2015**
Long-term		
Financial lease liabilities	83	128
Bank loans	20,813	17,421
Total long-term loans and borrowings	**20,896**	**17,549**
Current		
Financial lease liabilities	30	605
Bank loans	24,363	28,276
Other borrowings	-	-
Total current loans and borrowings	**24,393**	**28,881**

As a result of Ukrainian crises, in 2015 several banks of Ukraine have been forced to start liquidation process. In order to ensure repayment due to bank depositors it was decided to sign three side agreements with borrower (the Group), bank (Cambio Bank PJSC) and individuals. As a result such borrowings in consolidated financial statements as at 31 December 2016 were presented as other borrowings amounted USD 3,513 thousand.

As at 31 December 2016 and 2015, the Group's loans and borrowings were denominated in the following currencies:

In thousands of US dollars	**2016**	**2015**
Borrowings denominated in:		
- USD	24,849	23,827
- UAH	6,728	8,799
- EUR	13,712	13,804
Total loans and borrowings	**45,289**	**46,430**

The Group was not in compliance with certain loan covenants with respect to a loan of USD 9,003 thousand as at 31 December 2016 (16,457 thousand as at 31 December 2015). Consequently, non-current loan amounting to USD 9,003 thousand, which contractually matured in 2021, was classified as maturing within one year.

The loans to Olbis Investments SA principal USD 10,388 thousand, interest USD 2,997 thousand will be payable in 2026 based on the transfer agreement from ICD Investments SA to Olbis Investments SA signed on November 2016.

On February 24, 2017 the Company signed restructuring agreements on loans that were overdue as at 31 December 2016 with the following banks:

- Big Dutchman Pig Equipment - principal USD 4,174 thousand, interest USD 535 thousand – repayable within 10 years.

As of 31 December 2016, the Group had loans payable (including interests) with overdue payments in amount of USD 6,731 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.

As at 31 December 2016 and 2015, the Group's loans and borrowings maturity were as follows:

In thousands of US dollars	**2016**	**2015**
Loans and borrowings due:		
- within 1 year	24,393	28,881
- between 1 and 5 years	20,896	17,549
Total borrowings	**45,289**	**46,430**

The Group's loans and borrowings consisted from the following categories:

In thousands of US dollars	**31 December 2016**	**31 December 2015**
Bank loans	24,057	25,487
Loan from related party	12,471	12,683
Interest payable	5,135	4,014
Accrued provision (reserve) for contingent liabilities	3,513	3,513
Financial lease liabilities	113	733
Total bank and other loans	**45,289**	**46,430**

Movements in the Bank loans during the period consist of:

In thousands of US dollars	2016	2015
Carrying amount as at 1 January	**45,697**	**65,265**
Loan received	65	5,272
Loan repayment	(853)	(14,593)
Interest accrued for the period	3,450	7,008
Interest on loan paid	(1,644)	(1,919)
Effect of de-consolidation	-	(2,800)
Other IFRS adj effect	(209)	(5,644)
Exchange differences	(1,330)	(6,892)
Carrying amount as at 31 December	**45,176**	**45,697**

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 2016	31 December 2015
Property, plant and equipment	3,172	6,308
Receivables (Property rights under agreements on agricultural produce selling)	-	6,490
Term deposit	1,534	1,738
Inventory	-	490
Biological assets	1,057	1,326
Share in subsidiaries (Property rights)	1,549	1,755
Total carrying amount of collateral	**7,312**	**18,107**

As at 31 December 2016, a related party pledged as collateral real estate of contractual value of USD 6,523 thousand for respective liabilities of the Group to the amount of USD 4,230 thousand (2015: contractual value of USD 4,668 thousand for respective liabilities of the Group to the amount USD 4,792 thousand).
Leased assets with the carrying amount of USD 152 thousand (31 December 2015: USD 1,071 thousand) are presented as a collateral for the Group's obligations under the finance lease agreements. The Group has not delayed any payments on these leases as at 31 December 2016 and therefore, according to the lease agreements, the lessor can't require the immediate return of leased assets with the carrying amount of USD 152 thousand (2015: USD 1,071 thousand).

As at 31 December 2016 and 2015, obligations under financial lease liabilities were:

In thousands of US dollars	31 December 2016	31 December 2015
Long-term	83	128
Short-term	30	605
Total finance lease liabilities	**113**	**733**
Total future minimum lease payments	167	831
Less: interest expenses	(54)	(98)
Discounted value of future minimum lease payments	**113**	**733**

As at 31 December 2016, 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	2017	2018	2019	2020	Total
Future minimum lease payments	55	46	40	26	167
Less: interest expenses	(25)	(17)	(10)	(2)	(54)
Discounted value of future minimum lease payments	**30**	**29**	**30**	**24**	**113**

As at 31 December 2015, 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	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
Future minimum lease payments	641	63	52	46	29	831
Less: interest expenses	(36)	(28)	(20)	(11)	(3)	(98)
Discounted value of future minimum lease payments	**605**	**35**	**32**	**35**	**26**	**733**

As at 31 December 2016 and 2015, minimum lease payments were as follows:

In thousands of US dollars	**31 December 2016**	**31 December 2015**
Amounts payable under financial lease agreements:		
During 1 year	55	641
Over 1 year but no more than 5 years	112	190
Total lease payments	**167**	**831**

17. Trade and Other Accounts Payable

In thousands of US dollars	**31 December 2016**	**31 December 2015**
Trade payables	5,561	7,801
Financial assistance received	6,979	10,912
Payables for own promissory notes	-	-
Land lease payables	460	233
Promissory notes issued to GEM	-	58
Other accounts payable	185	906
Total financial trade and other payables	**13,185**	**19,910**
Prepayments received	2,535	2,835
Litigation reserve	174	255
Wages and salaries accrued	26	93
Total trade and other payables	**15,920**	**23,093**

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

18. Promissory notes issued

In thousands of US dollars	**31 December 2016**	**31 December 2015**
Long-term promissory notes issued	-	179
Current promissory notes issued	1,365	1,395
Total promissory notes issued	**1,365**	**1,574**

Short term promissory notes issued in amount USD 1,365 thousand are presented at amortised cost: initial cost of these financial liabilities are equal to USD 1,183 thousand and USD 182 thousand respectively for current promissory notes issued.

19. Revenue

In thousands of US dollars	**2016**	**2015**
Sale of agricultural produced and processed food	20,416	17,533
Rendering of services	508	1,729
Total revenue	**20,924**	**19,262**

20. Cost of Sales

In thousands of US dollars	**2016**	**2015**
Cost of agricultural produced and processed food	17,999	12,997
Cost of rendered services	505	1,301
Total cost of sales	**18,504**	**14,298**

Cost of goods sold for the year 2016 contains of the following components:

	2016	**2015**
Incurred costs*	16,456	10,770
Revaluation effects	2,048	1,639
Other IFRS adj effect	-	1,889
Total cost of sales	**18,504**	**14,298**

* *Incurred costs* contains Additional depreciation & amortization for year ended 31 December 2016 amounted USD 360 thousand (year ended 31 December 2015: USD 349 thousand)

Cost of sales incurred during the period ended 31 December 2016 were as follows:

In thousands of US dollars	**2016**
Feeds	3,952
Raw materials	3,447
Goods for resale	1,841
Land lease expenses	1,178
Depreciation and amortisation	1,064
Fuel	1,018
Other expenses	997
Raw materials - seed	974
Other raw materials	482
Other raw materials- plant protection products	469
Payroll	422
Maintenance of equipment	355
Other raw materials- fertilizer	352
Electricity	328
Taxes	281
Heating	256
Veterinary medicine	180
Agricultural stock	127
Water consumption	70
Transport service	59
Agricultural produce	55
Slaughter and processing service	19
Rent of buildings	13
Rent of equipment	8
Other materials	2
Total cost of sales	**17,949**

The cost of sales on nature of expense for year ended 31 December 2016 does not contain USD 555 thousand the cost of sales of Agricultural produce of the harvest in 2015.

21. Selling, General and Administrative Expenses

In thousands of US dollars	2016	2015
Informational, expert and consulting services	367	264
Wages and salaries	326	176
Taxes, other than income tax	137	220
Transport services	99	81
Depreciation and amortisation	76	74
Fuel and other materials	73	121
Crops storage services	36	-
Bank services	28	84
Other expenses	488	611
Total selling, general and administrative expenses	**1,630**	**1,631**

The total fees for audit services provided to the Group for the year 2016 are USD 91 thousand (2015 – USD 76 thousand).

22. Other operating income

For the years ended 31 December 2016 and 2015 other operating income of the Group was USD 4,395 thousand and USD 1,924 thousand respectively. During 2016 the most significant element of other operating income was write-off of payables in the amount of USD 3,325 thousand. During 2015 the most significant element of other operating income was income from disposal of the Group's companies in the amount of USD 1,578 thousand

23. Other Expenses

In thousands of US dollars	2016	2015
Impairment of accounts receivable	3,929	240
Write-off cost of crop production and loss of harvest	1,464	790
VAT written off	297	71
Fines and penalties	295	396
Write-off debts Souz-3 LLC and other debts reverse	-	1,247
Loss of current's assets sales	-	465
Impairment of LLR	-	425
Other	-	420
Total other expenses	**5,985**	**4,054**

24. Finance Income and Expenses

In thousands of US dollars	2016	2015
Finance income		
Interest income	522	709
Other finance income	970	-
Unwinding of discount on non-current financial assets	-	1,318
Total finance income	**1,492**	**2,027**
Finance expenses		
Interest expense on bank loans	(3,846)	(4,696)
Interest expense under financial lease	-	(5)
Discount on non-current financial assets	-	(430)
Unwinding of discount on long-term financial liabilities	-	(32)
Other finance expenses	(88)	(239)
Finance expenses	**(3,934)**	**(5,402)**
Less: amounts capitalised on qualifying assets (Note 8)	-	795
Total finance expenses	**(3,934)**	**(4,607)**

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 2016, 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 2015: 18%).

The deferred income tax assets and liabilities as of 31 December 2016 and 2015 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	**2016**	**2015**
Current tax expense	(8)	(7)
Deferred tax benefit	75	746
Income tax benefit	**67**	**739**

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

In thousands of US dollars	**2016**	**2015**
Gain / (Loss) before tax	**3,846**	**(2,631)**
- Gain attributable to FAT payers	4,766	5,493
- (Loss) attributable to Ukrainian subsidiaries	(104)	(8,055)
- (Loss) attributable to other Group companies	(816)	(69)
Income tax (benefit) / expense related to Ukrainian subsidiaries	19	1,450
Income tax (benefit) / expense related to other Group companies	117	600
• non-deductible expense		-
• change in unrecognised deferred tax asset	(69)	(1,311)
Income tax benefit/(expense)	**67**	**739**

Deferred taxes movement for the year 2016 presented below:

In thousands of US dollars	**31 December 2015**	**Credited/ (charged) to income statement**	**Translation difference**	**31 December 2016**
Tax effect of deductible temporary differences				
Accounts receivable	87	255	(25)	317
Promissory notes received	-			
Gross deferred tax asset	**87**	**255**	**(25)**	**317**
Tax effect of taxable temporary differences				
Property, plant and equipment	30	(181)	7	(144)
Gross deferred tax liability	**30**	**(181)**	**7**	**(144)**
Recognised deferred tax asset/(liability)	**117**	**74**	**(18)**	**173**

Deferred taxes movement for the year 2015 is presented below:

In thousands of US dollars	**31 December 2014**	**Credited/ (charged) to income statement**	**Translation difference**	**31 December 2015**
Tax effect of deductible temporary differences				
Accounts receivable	140	(6)	(47)	87
Promissory notes received	13	(9)	(4)	-
Gross deferred tax asset	**153**	**(15)**	**(51)**	**87**
Tax effect of taxable temporary differences				
Property, plant and equipment	(1,010)	761	279	30
Gross deferred tax liability	**(1,010)**	**761**	**279**	**30**
Recognised deferred tax asset/(liability)	**(857)**	**746**	**228**	**117**

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 (cattle). Basic assets for sale in this segment are pigs in live weight

- *Other operations.* This operating segment includes fruit and vegetable production; the production of fuel pellets and the thermal energy; 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.

Information about operating segments for year ended 31 December 2016 presented below:

In thousands of US dollars	**Crop production**	**Food processing**	**Livestock breeding**	**Other operations**	**Total**
Revenue	8,230	4,335	8,621	3,923	25,109
including:					
- sales of goods	8,230	4,335	8,621	2,972	24,158
- rendering of services	-	-	-	951	951
Inter-segment transactions	(388)	(127)	(3,227)	(443)	(4,185)
Revenue from external customers	**7,842**	**4,208**	**5,394**	**3,480**	**20,924**
Change in fair value of biological assets less estimated point-of-sale costs	3,509	-	7,086	-	10,595
Cost of sales	(6,878)	(4,015)	(5,432)	(2,179)	(18,504)
Segment profit/(loss)	**4,473**	**193**	**7,048**	**1,301**	**13,015**
Government grant received					178
Selling, general and administrative expenses					(1,630)
Other operating income / (expense), net					4,395
Operating profit					**15,958**
Finance income					1,492
Finance expenses					(3,934)
Foreign currency exchange gain/(loss), net					(3,370)
Loss on impairment of goodwill					(315)
Other income/(expenses), net					(5,985)
Gain/(Loss) on acquisition/(disposal) of subsidiaries and associates					-
Profit before tax					**3,846**
Income tax benefit					67
Profit for the period					**3,913**
Other segment information:					
Depreciation and amortisation	461	59	729	97	**1,346**
Capital expenditure	298	12	340	18	**668**

Information about operating segments for the year ended 31 December 2015 is as follows:

In thousands of US dollars	**Crop production**	**Food processing**	**Livestock breeding**	**Other operations**	**Total**
Revenue	11,032	2,988	8,494	1,728	24,242
including:					
- sales of goods	11,032	2,988	8,494	(1)	22,513
- rendering of services	-	-	-	1,729	1,729
Inter-segment transactions	(1,762)	(219)	(2,384)	(615)	(4,980)
Revenue from external customers	**9,270**	**2,769**	**6,110**	**1,113**	**19,262**
Change in fair value of biological assets less estimated point-of-sale costs	4,442	-	1,765	-	6,207
Cost of sales	(6,700)	(2,353)	(3,627)	(1,618)	(14,298)
Segment profit/(loss)	**7,012**	**416**	**4,248**	**(505)**	**11,171**
Government grant received					2,078
Selling, general and administrative expenses					(1,631)
Other operating income / (expense), net					1,924
Operating profit					**13,542**
Finance income					2,027
Finance expenses					(4,607)
Foreign currency exchange gain/(loss), net					(9,040)
Other income/(expenses), net					(4,054)
Gain/(Loss) on acquisition/(disposal) of subsidiaries and associates					(499)
Loss before tax					**(2,631)**
Income tax benefit					739
Loss for the period					(1,892)
Other segment information:					
Depreciation and amortisation	1,272	86	1,229	145	**2,732**
Capital expenditure	91	8	2,829	-	**2,928**

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

In thousands of US dollars	**2016**	**2015**
Ukraine	16,609	18,975
Europe	4,315	287
Total revenue	**20,924**	**19,262**

27. Related Parties

Significant related party balances outstanding at the reporting dates are:

	31 December 2016		31 December 2015	
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	-	627	-	323
Other financial receivables	-	315	-	-
Loans issued	-	83	-	311
Advances issued	-	17	-	-
Liabilities				
Loans	10,388	2,083	10,297	2,386
Interest payable	2,997	210	2,332	3
Financial assistance received	21	1,904	-	-
Trade and other accounts payable	-	7	3	2,579

Revenue and expense transactions with related parties during 2016 and 2015 were as follows:

	2016		2015	
In thousands of US dollars	**Parent and owners**	**Entities under common control**	**Parent and owners**	**Entities under common control**
Revenue	-	-	-	-
Unwinding of discount on long-term receivable	-	-	-	56
Finance expenses	692	562	918	701
Capitalized borrowing costs (Note 8)	-	-	-	645

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

As of 31 December 2016, the ultimate controlling party and other related parties provided collateral for the Group's loan of USD 4,120 thousand and USD 2,403 thousand respectively (2015: USD 4,675 thousand and USD nil thousand 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.

Remuneration of key management personnel for 2016 comprised short-term benefits totalling USD 58 thousand (2015: USD 173 thousand).

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 2016, the Group had no other litigations that could result in material outflow of economic benefits except those relating to its borrowings, as disclosed below.

Loans and borrowings. The Group had overdue outstanding balances of debt agreements with banks as of 31 December 2016 in total amount USD 6,731 thousand, including interests. In case the banks (other than mentioned in Note 31 'Events after the Reporting Period') sue the Group, penalties to the additional total amount USD 624 thousand at the date of these consolidated financial statements could be charged. The Group's Management actively conducts negotiations with banks and expects to agree on restructuring of debts with favorable conditions for both parties.

In April 2015, one of the banks (PJSC Credit Agricole) sued several of the Group's entities with requirement for collection of debt in respect of overdue debt balances in total amount USD 3,594, including USD 594 of interests at the date of these consolidated financial statements. The amount of the claim is USD 3,602 thousand. The case is not yet resolved by the court. At the same time the Group is negotiating with the bank to achieve restructuring of the debt.

In February 2016, the bank PJSC Credit Agricole also sued the Group with requirement to claim property pledged as collateral to the debt. The amount of the claim is USD 1,061 thousand, being hypothecation value of the property pledged. Carrying value of the property is USD 609 thousand as of 31 December 2016. The court of first instance ruled in favour of the claimant, an appeal was filed by the Group to the appeal court. The Group's Management believes that an agreement will be reached with the bank that will prevent alienation of the property.

Operating lease. The Group leases land plots for agricultural purposes, mostly from individuals.

The Group had the following future liabilities under non-cancellable contracts of operating lease of land:

In thousands of US dollars	31 December 2016	31 December 2015
Within one year	956	707
From one to five years	3,035	2,077
More than five years	814	864
Total	**4,805**	**3,648**

As at 31 December 2016 the total size of land leased by Group was 33.6 thousand hectares (2015: 32.8 thousand hectares).

The total rental payment for leased plough-land for the year ended 31 December 2016 amounted to USD 1,130 thousand (2015: USD 807 thousand). These costs were recorded within expenses capitalized during the period into biological assets of crops (Note 10).

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	**2016**	**2015**
Financial assets		
Long-term receivables	937	1,238
Promissory notes receivable	266	217
Term deposits	1,534	1,738
Trade and other accounts receivable	7,283	9,224
Cash and cash equivalents	1,107	1,147
Total financial assets	**11,127**	**13,564**
Financial liabilities		
Trade and other accounts payable	13,185	19,910
Loans and borrowings	45,289	46,430
Promissory notes issued	1,365	1,574
Total financial liabilities	**59,839**	**67,914**

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 individually material balances.

As of 31 December 2016, the Group had 6 counterparties (31 December 2015: 17 counterparties) with aggregated receivable balances above USD 150 thousand (2015: USD 150 thousand) each. The total aggregate amount of these balances was USD 5,869 thousand (31 December 2015: USD 9,941 thousand) or 81% of the net amount of trade and other receivables (31 December 2015: 93%).

Market risk. The Group takes an 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. As of 31 December 2016, if interest rate had been 5% higher with all other variables held constant, post-tax profit for the year then ended would have been USD 2,176 thousand lower (2015: USD 5,398 thousand), respectively if interest rate had been 5% lower then profit after tax would have been increased by 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.

As of 31 December 2016, the Group has financial assets and liabilities denominated in foreign currency, net position of which is presented below:

In thousands of US dollars	**USD**	**EUR**	**PLN**	**CHF**	**UAH**	**Total**
Financial assets						
Long-term receivables	937	-	-	-	-	937
Promissory notes receivable	-	-	-	-	266	266
Term deposits	-	-	-	-	1,534	1,534
Trade and other accounts receivable	139	417	-	-	6,727	7,283
Cash and cash equivalents	141	14	3	8	941	1,107
Total financial assets	**1,217**	**431**	**3**	**8**	**9,468**	**11,127**
Financial liabilities						
Trade and other accounts payable	2,149	474	12	209	10,341	13,185
Loans and borrowings	24,849	13,712	-	-	6,728	45,289
Promissory notes issued	-	1,151	182	-	32	1,365
Total financial liabilities	**26,998**	**15,337**	**194**	**209**	**17,101**	**59,839**
Total: net value	**(25,781)**	**(14,906)**	**(191)**	**(201)**	**(7,633)**	**(48,712)**

As of 31 December 2015, the Group has financial assets and liabilities denominated in foreign currency, net position of which is presented below:

In thousands of US dollars	**USD**	**EUR**	**PLN**	**CHF**	**UAH**	**Total**
Financial assets						
Long-term receivables	1,238	-	-	-	-	1,238
Promissory notes receivable	-	-	-	-	217	217
Term deposits	-	-	-	-	1,738	1,738
Trade and other accounts receivable	23	7	-	-	9,194	9,224
Cash and cash equivalents	356	44	6	22	719	1,147
Total financial assets	**1,617**	**51**	**6**	**22**	**11,868**	**13,564**
Financial liabilities						
Trade and other accounts payable	2,761	532	2	158	16,457	19,910
Loans and borrowings	23,827	13,804	-	-	8,799	46,430
Promissory notes issued	134	1,198	-	-	242	1,574
Total financial liabilities	**26,722**	**15,534**	**2**	**158**	**25,498**	**67,914**
Total: net value	**(25,105)**	**(15,483)**	**4**	**(136)**	**(13,630)**	**(54,350)**

Because of this exposure, if the US dollar were to strengthen or weaken by 20 percent against the UAH, it would decrease or increase the Group’s loss before tax by USD 5,156 thousand, respectively (31 December 2015: 20% and USD 5,021 thousand).

Because of this exposure, if the Euro were to strengthen or weaken by 20 percent against the UAH, it would decrease or increase the Group’s profit before tax by USD 2,981 thousand, respectively (31 December 2015: 20% and increase or decrease by USD 3,097 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 2016 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 2016 was as follows:

In thousands of US dollars	**Less than 1 year**	**From 1 year to 2 years**	**From 2 years to 5 years**	**Over 5 years**	**Total**	**Carrying amount**
Loans and borrowings	22,281	1,308	3,568	18,019	45,176	45,176
Future interest cash flow – loans	1,716	1,387	2,525	5,450	11,078	-
Financial lease	30	29	54	-	113	113
Future interest cash flow – financial lease	25	17	12	-	54	-
Trade and other payables	13,023	379	-	-	13,402	13,185
Promissory notes issued	1,365	-	-	-	1,365	1,365
Total	**38,440**	**3,120**	**6,159**	**23,469**	**71,118**	**59,839**

The maturity analysis of financial liabilities at 31 December 2015 was as follows:

In thousands of US dollars	**Less than 1 year**	**From 1 year to 2 years**	**From 2 years to 5 years**	**Total**	**Carrying amount**
Loans and borrowings	28,276	1,000	16,421	45,697	45,697
Future interest cash flow – loans	2,462	2,135	19,023	23,620	-
Financial lease	605	35	93	733	733
Future interest cash flow – financial lease	36	28	34	98	-
Trade and other payables	19,646	155	109	19,910	19,910
Promissory notes issued	1,395	179	-	1,574	1,574
Total	**52,420**	**3,532**	**35,680**	**91,632**	**67,914**

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 2016**	**31 December 2015**
Total amount of borrowings	46,654	48,004
Less cash and cash equivalents	(1,107)	(1,147)
Net debt	45,547	46,857
Total capital	(4,351)	(6,956)
Debt to capital ratio	**(10,468)%**	**(6,736)%**

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 2016 and 2015, 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 2016 and 2015.

32. Events after the Reporting Period

On 24 February 2017 the Company signed restructuring agreements on loans that were overdue as at 31 December 2016 with the Big Dutchman Pig Equipment - principal USD 4,174 thousand, interest USD 535 thousand – repayable within 10 years.

In February 2017, completed construction of new pellet boiler station providing heat supply to shopping center in Dnepr with area of about 12 thousand sq. m. Thus, volume of heat generation by holding was increased by 23% – from 3.45 to 4.25 MW.

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

The foreign currency exchange losses, net for the years ended 31 December 2016 and 2015 were as follows:

In thousands of US dollars	**2016**	**2015**
Foreign currency exchange gain	2,242	5,161
Foreign currency exchange loss	(5,612)	(14,201)
Net amount	**(3,370)**	**(9,040)**