KSG Agro S.A.

Management report on 2018 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 2018 financial year.

I am proud to report that our Group has, once again, been able to stand the test of hard times in the country. We have continued the progress on improving our results and have every reason to believe they will keep streamlining further.

The Company is very grateful to all our partners, who have gave us a helping hand in such a turbulent time. The European and American banks and creditors have given us a possibility to restructure our debts. The Ukrainian banks and private companies have also supported us alike.

Despite the continuing political instability in Ukraine and the ongoing devaluation of hryvnia, the national currency, we are striving to bring down our operational costs and improve our result. The Group stays loyal to its strategy of focusing on plant production and pig breeding, and we continue developing these areas of business.

We plan to further maintain great efficiency of the pig industry by maintaining a high level of livestock quality, as well thanks to further reconstruction and introduction of innovative technologies at the pig breeding complex.

We are prepared to work hard further and truly believe in achieving positive results in the nearest future. We know our effort will pay off to bring to our Group's investors and us prosperity and profitability. We are on the right track and are sure that the positive trend of the previous year will continue in 2019 to support our continued development.

Chairman of the Board,
Sergiy Kasianov

following the decision by the Board of Directors of KSG Agro S.A. on 19 July 2019

Management Report

1. Strategy implementation

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 2018, KSG Agro is an agricultural holding with total controlled land bank of 27 thousand hectares.

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

Strategy	Implementation
Focus on farming & pigs breeding and increase its efficiency	During 2018 the Group concentrated on pig breeding and sold its cattle. As a result, total revenues from livestock breeding segment, including cattle, have decreased from USD 7.7 million in 2017 to USD 7.3 million in 2018. Sales of pigs in live weight and as meat products in both 2018 and 2017 were 98 thousand heads Demand for pork products in 2018 increased to a point the Group could not keep up with it. Which also resulted in an increase in sales prices Revenue in 2018 increased by 22% in comparison with 2017 overall in monetary terms and total sales by segment have either increased or remained stable in terms of volume
Searching new contractors and signing agreements for sale of crops using USD prices	Revenues from crop production segment have increased by USD 2.6 million in comparison with the same period in 2017 and included sales of both winter and summer crops harvested in 2018 Due to gradual strengthening of Ukrainian Hryvnia against the US dollar, the Group expects to be less vulnerable to currency risks. At the date of this report, the exchange rate was UAH 26.03 per USD 1, down from 27.68 as at 31 December 2018 and further down from 28.06 as at 31 December 2017
Reduction of current debt and the extension of credit period	The Group's obligations under bank and other loans which existed as at 31 December 2017 are down from USD 47.2 million to USD 44.3 million as at 31 December 2018 and further down to USD 31.8 million at the date of this report In October 2018, the Group has signed an agreement to restructure its loan to US EXIM in the total amount, including interest, of USD 3.4 mln whereby the Group would pay USD 1.1 mln. The Group has repaid a total of USD 0.7 million and the remaining balance is USD 0.4 million In February 2019, the Group has restructured its debt under the loan from Big Dutchman Pig Equipment. Restructuring implied a reduction of the loan amount to EUR 1.0 million. At the date of this report, the remaining balance was repaid in full In July 2019, the Group has finalised restructuring terms for an overdue loan from LBBW in the total amount as at 31 December 2018, including interest, of USD 9.9 million. As a result, the Group's debt under the loan was reduced to EUR 3.2 million. At the date of this report, the remaining balance is USD 3.3 million The above progress has allowed the Group to secure new financing from TASCOMBANK in the total amount of USD 1.3 million in the period of March through May of 2019
The Group continues to increase the volume of production of fuel pellets and the production of thermal energy	In 2018, the Group continued its program of introducing biomass heat generation in Dnipropetrovsk region. Total heat production from fuel pellets in boiler houses installed by the Group in local schools increased by 37% to 8.35 MW

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 (hereinafter referred to as the "Articles of Association") and Luxembourg Law comprising the Companies Law 1915 govern the Company. A general meeting of the shareholders under the quorum may amend the Articles of Association 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.

Meetings of the board

In this regard the Company is governed by Article 9 of the Articles of Association.

Mr. Sergiy Kasianov has been appointed as chairman of the Board of Directors.

The Board of Directors shall meet upon call by the Chairman, or any two Directors at the place and time indicated in the notice of meeting, the person(s) convening the meeting setting the agenda.

Written notice of any meeting of the Board of Directors shall be given to all Directors at least five (5) calendar days in advance of the hour set for such meeting, except in circumstances of emergency where 24 hours prior notice shall suffice which shall duly set out the reason for the urgency.

The board of Directors may act validly and validly adopt resolutions if approved by the majority of Directors including at least one class A and one class B Director at least a majority of the Directors are present or represented at a meeting.

Audit Committee

The audit committee is composed by three members and is in charge of overseeing financial reporting and disclosure.

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

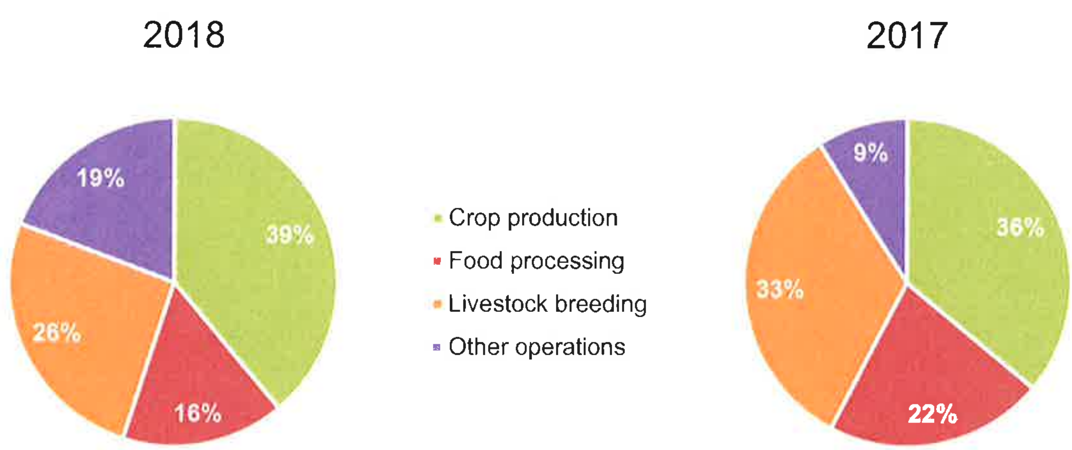
The following table sets forth the Company's results of operations for the years ended 31 December 2018 and 2017 derived from the consolidated financial statements:

In thousands of US dollars	31 December 2018	31 December 2017	Change, %
Revenue	28,332	23,187	22%
Gain on initial recognition at fair value and net change in fair value of biological assets less estimated point-of-sale costs	5,537	9,666	(43)%
Cost of sales	(31,153)	(21,212)	47%
Gross profit	**2,716**	**11,641**	**(77)%**
Government grant received	13	350	(96)%
Selling, general and administrative expenses	(1,470)	(1,487)	(1)%
Other operating income	336	735	(54)%
Operating profit	**1,595**	**11,239**	**(86)%**
Finance income	2,479	671	269%
Finance expenses	(1,719)	(2,141)	(20)%
Foreign currency exchange gain/(loss), net	356	(4,399)	(108)%
Gain/(loss) on disposal of subsidiaries	78	(56)	(239)%
Impairment gain/(loss) on financial receivables	106	(1,844)	(106)%
Other expenses	(2,408)	(2,633)	(9)%
Profit before tax	**487**	**837**	**(42)%**
Income tax (expense)/benefit	(11)	58	(119)%
Profit for the year	**476**	**895**	**(47)%**
Operating profit	**1,595**	**11,239**	**(86)%**
Depreciation	1,263	1,462	(14)%
Amortisation	-	32	(100)%
EBITDA	**2,858**	**12,733**	**(78)%**
Other expenses and impairment gain/(loss) on financial receivables	(2,302)	(4,477)	(49)%
Adjusted EBITDA	**556**	**8,256**	**(93)%**

Revenue

The Company's revenue from sales increased year-on-year by 22%, primarily in the crop production segment.

The following chart sets forth the Company's revenue by segment in per cent for 2018 and 2017:



Main segment – crop production – comprises production and sales of wheat, barley, rapeseed, sunflower, corn and other minor crops. Information about main crops harvested in 2018 and 2017 is as follows:

Crops harvested, thousands of tonnes	2018	2017
Sunflower	23.5	18.4
Wheat	18.8	19.7
Rapeseed	5.8	0.8
Barley	3.1	5.2
Corn	1.0	1.6
Total	**52.2**	**45.7**

The most significant portion of the Company's revenue in the crop production segment comes from sales of sunflower and wheat. The following table sets forth the volume of the Company's main crops and revenues generated from the sales of such crops:

	2018	2017	Change,%
Sunflower			
Sales, USD mln	5.7	4.8	19%
Sales, thousands tonnes	19	16	19%
Average price, USD/tonne	304	301	1%
Wheat			
Sales, USD mln	2.6	2.4	8%
Sales, thousands tonnes	16	17	(6)%
Average price, USD/tonne	163	139	17%

The livestock breeding and food processing segments are mainly represented by sales of pigs and piglets, and pork products. The following table describes revenues of this segment in more detail:

	2018	2017	Change,%
Pigs and piglets			
Total Sales, USD mln	14.0	11.8	19%
Total Sales, thousand heads	98	98	-
Total Sales, tonnes	9,802	9,810	-
Total Average price, USD/kg	1.43	1.20	19%
External Sales (Livestock breeding), USD mln	7.3	7.7	(5)%
External Sales (Food processing), USD mln	0.7	2.9	(76)%
External Sales, thousand heads	56	90	(38)%
External Sales, tonnes	5,639	9,001	(37)%
External Average price, USD/kg	1.42	1.18	20%

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

Gain on initial recognition at fair value and net change in fair value of biological assets less estimated point-of-sale costs, decreased by 43% from USD 9.7 million in 2017 to 5.5 million in 2018. Details by components are as follows:

	2018	2017
Crops in the field	(3,279)	3,668
Agricultural produced at the date of harvesting	6,758	2,972
Sows	(433)	1,198
Livestock husbandry	2,491	1,797
Dairy cows	-	31
Total gain on initial recognition at fair value and net change in fair value of biological assets	**5,537**	**9,666**

Cost of sales

The Company's cost of sales increased by 47% to USD 31.1 million for the year ended 31 December 2018 from USD 21.2 million for the year ended 31 December 2017 while revenue only increased by 22%.

Main components driving the increase were costs of feeds and raw materials. Refer to Note 19 to the consolidated financial statements for overall composition of cost of sales during the years ended 31 December 2018 and 2017.

Cost of crops sold increased to USD 13.6 million from USD 7.6 million and cost of livestock sold increased to 7.7 million from 5.8 million. Refer to Note 10 to the consolidated financial statements for composition of costs incurred separately on crops and livestock during the years ended 31 December 2018 and 2017.

Gross profit

The Company's gross profit decreased by 77% from USD 11.6 million for the year ended 31 December 2017 to USD 2.7 million for the year ended 31 December 2018.

Cash flows

The following table sets out a summary of the Company's cash flows for the years ended 31 December 2018 and 2017:

in USD thousands	**2018**	**2017**
Net cash flow from operating activities	24	1,053
Net cash flow from investing activities	(85)	(1,176)
Net cash flow from financing activities	(429)	(196)
Net cash flow for the year	**(490)**	**(319)**

5. Corporate responsibility and diversity

The following statement is prepared in observance of the requirements for publication of non-financial and diversity information for the year ended 31 December 2018. In preparation of this statement, where relevant, we have relied upon the Global Reporting Initiative framework and upon the Guidelines on non-financial reporting as issued by the European Commission.

CORPORATE RESPONSIBILITY

General

Care about land and people underlies the corporate policy of the Group. This approach is a guarantee of high quality and environmental safety of the Group's products. The Group recognises that in order to improve life and common future, a business must be socially responsible, generating not only profits, but also social capital. The main quality that distinguishes a socially responsible business is the understanding of people's lives on the ground, their problems and opportunities, coupled with real action aimed at their support and assistance.

For several years, the Group undertakes various projects with "The Future", a charitable fund headed by the Group's Chairman of the Board Sergiy Kasianov. In partnership with the fund, within the framework of cooperation of socially responsible business and territorial communities, dozens of development projects have been implemented covering an array of issues:

- local infrastructure and utilities
- energy conservation projects
- social programs in the field of medicine and education
- programs of self-employment within the programs of support for veterans and their families
- food subsidy programs that are provided to socially vulnerable groups of the population
- assistance in attracting investments, grant programs, etc.

Areas of focus

Main areas of focus for the Group's corporate responsibility strategy comprise:

- employees
- support for local communities
- environmental protection and animal welfare
- respect for human rights, anti-corruption and bribery

Employees

The Group pledges to: value each employee; provide equality of opportunity; provide a workplace that is free of discrimination; prohibit forced and child labour; and permit freedom of association and collective bargaining.

The Group pledges to: providing a healthy and safe working environment; building trusting and mutually profitable partnerships with the Group's local communities. This includes the development of projects and initiatives leading to the improvement of local living standards whilst respecting the human rights and requirements of local stakeholders.

The Group strictly observes all statutory rules and guidelines related to occupational safety.

The categories of employees potentially affected by health hazards undergo mandatory health checks. They are provided with special food, have the reduced working day and an additional holiday at the Group's expense.

Work safety program is an integral part of in-house training. When mastering new equipment and technologies the Group specifically orders training support from the supplier or from alternative research and development institutions.

The Group has implemented the standards of the learning organization. A system of in-house seminars has been introduced. The Group implements training programs enabling to optimize the accounting and management processes. There are training programs on team building and leadership as well.

Staff policy of the Group is directed towards maintaining and developing the skilled core staff. Qualified employees save their positions during off-season time and are entitled to 100% of the salary during this period. Off-season time is also utilised for further training.

The corporate newspaper "Our Land" is published monthly. It contains materials about the work of the holding, people working in the company and other local news. On the company's website news about the activities of the enterprise are posted. And in the Internet space there is a distribution of materials about the work of the holding.

Support for local communities

A vital part of the Group's corporate responsibility initiatives is the program for reconstruction of heating systems in local communities of the Dnipropetrovsk region of Ukraine. Investing in biofuel boiler houses is one of the strategic priorities of KSG Agro.

The pilot project started back in October 2016 at Novopokrovka secondary school, where a new modern boiler-house was put into operation. Thanks to the help from the Group, reconstruction of the heating system was carried out, 2 new boilers were installed, which operate with alternative fuel, fuel pellets.

As a result of the modernization of five boiler houses in the Tomakivsky, Soloniansky and Apostolivsky districts of rural schools, the total heat generation at the heat supply facilities transferred by the holding for use of pellets almost doubled – from 4.25 MW to 8.35 MW. At the same time, the raw material was produced by the pellet shop in the village of Novopokrovka of Solonyansky district of Dnipropetrovsk region, financed by the Group. The conversion of boiler-houses to biofuels can significantly save rural budgets. We are talking not only about the energy independence of the Dnipropetrovsk region, but also about the substantial saving of resources for territorial communities. Savings are up to 40% compared to natural gas and coal.

In 2018, the Group continued its program of introducing biomass heat generation in Dnipropetrovsk region, increasing the amount of heat production by 37% to 8.35 MW by installing boilers in schools.

As part of this program, the Group helped finance a boiler for Maryivka kindergarten. Boiler houses working on renewable biofuels were installed and commissioned in schools of two villages of Dnipropetrovsk region - the Trituznoe village (with a capacity of 500 kW), Nadievka village (600 kW), as well as in the shopping center "Miriada" in Dnipro city (800 kW). Also, in rural schools, doors were installed in the entrance area in order to save heat.

The Group helps finance and organise various local holidays with the local communities, such as the Day of the Elderly, Women's day, Veteran's Day and others.

For several years, a program of food subsidies in the form of food packages has been operating. So, in 2018 over 500 socially vulnerable families took part in the program. These are single mothers, people with disabilities and other categories. A social store works in the Niva Trudovaya village where meat is sold at almost its cost.

Among the most significant projects aimed at the development of local infrastructure is the work of the public organization "Svitla Oselya", uniting the work of 86 condominiums and providing them with consulting and legal assistance. With the active participation of the pig-breeding division of KSG Agro (LLC Rantie), the development strategy of the village of Niva Trudovaya was developed.

Annually, at the end of the year, the holding's enterprises provide assistance in organizing and holding the "Days of the Village", as well as the annual and traditional celebration of the professional holiday of the Day of agricultural workers. KSG Agro holds a festive event where the results of the year are summed up and the foremost workers are awarded. The Group is the main partner in holding the annual festival Kupala Fest. It hosts a competition of folklore groups of the Dnipropetrovsk region.

There is support for sports teams of communities. In Novopokrovka we supported the football team. We bought them uniform and took part in the organization of the district tournament. Also competitions in volleyball, strength sports and other sports events are supported.

Environmental protection and animal welfare

The Group adheres in full to the laws related to protection of the environment, including those which regulate the hazardous substances' emissions. Production companies of the Group employ Labour Protection and Environmental Safety Engineers. It also observes all necessary preventive measures on localization of possible pollution and threats to flora and fauna.

Responsibilities of Environmental Safety Engineers include:

- complying with the requirements of environmental legislation;
- minimising the use of energy and resources;
- minimising the effect of the Group's activities on the local environment and maintaining local biodiversity;
- preventing accidents;
- minimising spills, pollution and fugitive emissions;
- minimising water use and discharges to water;
- encouraging the use of recycling and reuse methods; and
- reducing greenhouse gas emissions associated with the Group's activities.

The Group periodically undergoes obligatory scheduled inspections by government agencies. No significant violations were reported by the agencies as a result of such inspections in 2018.

The Group uses only certified fertilizers and plant protecting agents which are purchased from leading world producers. The Group commits to ensure humane treatment of animals in line with applicable laws, regulations and best practice; and to supply appropriate training to employees to ensure that such commitment is maintained.

Respect for human rights, anti-corruption and bribery

The Group's commitment to respect human rights recognises the rights of children, women, persons with disabilities, local communities, smallholder farmers; as well as the rights of workers, including those working under temporary contracts, migrant workers, and their families.

One of the projects aiming to help disenfranchised people is a food subsidy program.

The project's goal is to provide social assistance to villages and small towns, socially unprotected parts of the population – lonely pensioners, families with many children, other socially disenfranchised groups.

Within the framework of the program are:

• special pork sales at lower prices in rural and district stores of Dnipropetrovsk region of Ukraine

• provision of food products to the most vulnerable groups of the population

• charity help on the Day of the Elderly

• assistance to disabled children.

Another project aims to support local business development via a program of population self-employment.

The program is to create conditions for people living in rural areas to earn extra income by organising family businesses for fattening pigs on individual farms. Simultaneously, consulting support and promotion of economic education for the residents of the region are provided. Preparatory work on putting together home mini pig farms has been carried out.

The Group's anti-corruption strategy sets out a zero-tolerance approach to corruption and a commitment that all employees will adhere to responsible standards of behaviour.

The Group plans to further develop its anti-bribery and corruption systems to focus on ensuring high standards of behaviour throughout the business and educating employees about anti-corruption practices.
This could involve development of risk management systems at Group-wide scale and also require the Group's suppliers and corporate customers to comply with the Group's anti-corruption policies and to adopt methods to combat corruption.

EQUALITY AND DIVERSITY

Diversity policy

As a socially responsible business, the Group has zero tolerance to discrimination on any grounds, be it age, race, gender, religion, political affiliation or whatever it might be. The Group embraces diversity and ensures fair and equitable treatment of every individual that works for it and their families.

The Group is prepared to hire people with disabilities, people nearing retirement age as well as veterans and refugees from the conflict zone in Eastern Ukraine.

The Group is dedicated to encouraging a supportive and inclusive culture amongst the whole workforce. It is within our best interest to promote diversity and eliminate discrimination in the workplace. Our aim is to ensure that all employees and job applicants are given equal opportunity and that our organisation is representative of all sections of society.
Each employee will be respected and valued and able to give their best as a result. This policy reinforces our commitment to providing equality and fairness to all in our employment and not provide less favourable facilities or treatment on the grounds of age, disability, gender, pregnancy and maternity, nationality, religion or belief.

We are opposed to all forms of unlawful and unfair discrimination. All employees, no matter whether they are part-time, full-time, or temporary, will be treated fairly and with respect. When selecting candidates for employment, promotion, training, or any other benefit, it will be on the basis of their aptitude and ability.

All employees will be given help and encouragement to develop their full potential and utilise their unique talents. Therefore, the skills and resources of our organisation will be fully utilised and we will maximise the efficiency of our whole workforce.

The Group is committed:

- To create an environment in which individual differences and the contributions of all team members are recognised and valued.
- To create a working environment that promotes dignity and respect for every employee.
- To not tolerate any form of intimidation, bullying, or harassment, and to discipline those that breach this policy.
- To make training, development, and progression opportunities available to all staff.
- To promote equality in the workplace, which the Group believes is good management practice and makes sound business sense.
- To encourage anyone who feels they have been subject to discrimination to raise their concerns so we can apply corrective measures.
- To encourage employees to treat everyone with dignity and respect.
- To regularly review all our employment practices and procedures so that fairness is maintained at all times.

The policy is monitored and reviewed at least annually to ensure that equality and diversity is continually promoted in the workplace.

Management and Board diversity

Representation of top and middle management by age and gender in 2018 was as follows:

	Total top and middle management staff		**Attended professional development programs or other training events in 2018**	
Age group	**Men**	**Women**	**Men**	**Women**
Less than 30	1	-	1	-
31 to 40	12	2	5	1
41 to 50	11	11	2	9
51 to 60	11	3	5	1
Over 60	2	-	1	-
Total	**37**	**16**	**14**	**11**

It is the Group's commitment to further increase representation of women in different age groups in top and middle management as well as the Board of Directors.

All executive directors are Ukrainian nationals as they require the local expertise needed for a good understanding of current affairs and longer-term risks and opportunities related to the Group's business in Ukraine.

All of the management staff have higher education.

Most of them participate in various professional training programs, both external and internal, as it is the Group's continuing commitment to invest in professional development of its employees.

Several employees are also studying to obtain recognised professional qualifications in their related fields.

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

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

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

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

On May 23, 2013 The Company bought back thirty-two thousand one hundred and seventy-two (32,172) own shares, representing 0.21% of share capital, that are accounted for as treasury shares.

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

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

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

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

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

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

The main shareholder of the Company as at 31 December 2018 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.

7. Subsequent events

Material subsequent events are described in Note 32 to the consolidated financial statements.

8. 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 2018, the Group had 8 counterparties with aggregated receivable balances above USD 150 thousand each (31 December 2017: 8 counterparties). The total aggregate amount of these balances was USD 6,014 thousand (31 December 2017: USD 4,016 thousand) or 66% of the net amount of trade and other receivables (31 December 2017: 88%).

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 2018, 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 1,712 thousand lower (2017: USD 2,301 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 profit or loss.

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. For details on currency risk exposure refer to Note 28 to the consolidated financial statements.

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 Group's ratio of current assets to current liabilities as at 31 December 2018 was 0.44 (2017: 0.42). Management recognises that such low liquidity is, to a considerable extent, a result of unpaid and overdue loans and that the issue would be mitigated as debt restructuring is finalised.

For maturity analysis of financial liabilities refer to Note 28 to the consolidated financial statements.

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's debt-to-capital ratio as at 31 December 2018 was -7,144% (2017: -8,558%). For details refer to Note 29 to the consolidated financial statements.

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.

9. Changes to unaudited consolidated financial statements issued 29 April 2019

On 29 April 2019, the Group published its management report and consolidated financial statements for the year ended 31 December 2018, which had been unaudited. The purpose of the publication was to comply with the transparency regulations of Luxembourg and the Warsaw Stock Exchange which require publication of annual financial reports at the latest four months after the end of each financial year.

As mentioned by the Group in its current reports, published on the Warsaw Stock Exchange on 29 April, 31 May and 30 June of 2019, audit of the 2018 consolidated annual report of KSG Agro S.A. had been postponed.

As a result of the audit, the accompanying audited consolidated financial statements were changed compared to the unaudited version from 29 April 2019. Disclosures were expanded and, where necessary, updated as at the date of issuance. Expanded disclosures include the financial effect of disposals, material non-controlling interests, impact of new standards, details on financial lease liabilities in loans and borrowings, composition of cost of sales, income taxes, as well as disclosures on financial instruments (fair value, maturity, composition by currency).

Adjustments were also made in relation to the Group's accounting for disposals and its adoption of IFRS 9 and 15. All adjustments relate solely to 2018, no comparative amounts were adjusted. The following is the effect of these adjustments on the consolidated statements of financial position and profit or loss as of and for the year ended 31 December 2018:

In thousands of US dollars	**Unaudited**	**Revisions in application of IFRS 9 and 15; and other errors**	**Revisions in disposal accounting**	**Audited**
ASSETS				
Non-current assets				
Deferred tax assets	233	-	3	236
Total non-current assets	**40,749**	-	**3**	**40,752**
Current assets				
Inventories and agricultural produced	6,632	-	(786)	5,846
Trade and other accounts receivable	9,111	(73)	786	9,824
Cash and cash equivalents	269	(40)	-	229
Total current assets	**22,520**	**(113)**	**3**	**22,407**
TOTAL ASSETS	**63,269**	**(113)**	**3**	**63,159**
EQUITY				
Retained earnings, including:	(39,352)	(796)	(126)	(40,274)
Profit for the period	310	292	(126)	476
Adjustment on initial application of IFRS 9	(898)	(1,088)	-	(1,986)
Equity attributable to the owners of the Company	**(12,607)**	**(796)**	**(126)**	**(13,529)**
TOTAL EQUITY	**(5,440)**	**(796)**	**(126)**	**(6,362)**
LIABILITIES				
Current liabilities				
Trade and other accounts payable	22,692	683	127	23,502
Taxes payable	334	-	2	336
Total current liabilities	**49,054**	**683**	**129**	**49,054**
TOTAL LIABILITIES	**69,521**	**683**	**129**	**69,521**
TOTAL LIABILITIES AND EQUITY	**63,159**	**(113)**	**3**	**63,159**
Revenue	24,761	3,571	-	28,332
Cost of sales	(27,874)	(3,279)	-	(31,153)
Gross profit	**2,424**	**292**	-	**2,716**
Selling, general and administrative expenses	(1,345)	-	(125)	(1,470)
Operating profit	**1,428**	**292**	**(125)**	**1,595**
Finance expenses	(1,605)	-	(114)	(1,719)
Foreign currency exchange gain/(loss), net	361	-	(5)	356
Gain/(loss) on disposal of subsidiaries	(37)	-	115	78
Other expenses	(2,472)	-	64	(2,408)
Profit before tax	**260**	**292**	**(65)**	**487**
Income tax (expense)/benefit	50	-	(61)	(11)
Profit for the period	**310**	**292**	**(126)**	**476**

Where adjustments were made, amounts in respective disclosures were updated accordingly.

19.07.2019
A.V. Skorokhod
(Chief Executive Officer)

19.07.2019
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 2018

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 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 2018 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 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 2018, 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 for the period of KSG Agro S.A. and its subsidiaries included in the consolidation taken as a whole. In addition, the management report includes a fair review of the development and performance of the business and the position of KSG Agro S.A. and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

These consolidated financial statements as of 31 December 2018 and for the year then ended were approved for issue on 19 July 2019.

A.V. Skorokhod (Chief Executive Officer)	L.L. Omelchenko (Chief Financial Officer)

CLERC

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

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the Audit of the Consolidated Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of KSG Agro S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

Basis for Disclaimer of Opinion

Going Concern Assumption

As mentioned in note 3 Operating Environment of the Group to the consolidated financial statements, the Group is mainly active in Ukraine.

In 2014, Ukraine was faced with political and economic turmoil, including the annexation by the Russian Federation of Crimea and separatist movements in Lugansk and Donetsk regions. This had a major impact on the Group as it deprived it of almost one third of its land and its farming business. Even though the situation in Ukraine has improved, as disclosed in note 3 to the consolidated financial statements, the impact of the political and economic crisis in Ukraine and their final resolution are unpredictable and may adversely affect the Ukrainian economy and consequently the operations of the Group.

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The Group is to a significant extent financed by banks and international creditors, through loan contracts, some of which with covenants. As at 31 December 2018, loans and borrowings for an amount of USD 44,3 million represent 70% of total liabilities and equity, and equity attributable to the owners of the Company is negative by USD 13,5 million.

Since 2015, the Group restructured its debt as follows: a letter of intent has been signed in 2017 with international creditors and suppliers representing USD 18,0 million where preliminary restructuring terms were defined. In accordance with such terms, a legal firm was appointed to assist parties with the final restructuring documents.

An agreement was reached on 24 February 2017 with the international creditor Big Dutchman Pig Equipment (principal USD 4,2 million), repayable within ten years starting at the end of 2017. However, during the year ended 31 December 2018, the Group breached covenants regarding loan agreement with Big Dutchman amounting to USD 3,6 million. In accordance with the agreement signed by the Group in February 2019, the Group's debt under the loan with Big Dutchman Pig Equipment was again restructured. Restructuring implied a reduction of the loan amount to EUR 1,0 million, which has been repaid in full by July 2019.

In keeping with the Group's strategic priorities, debt restructuring continued during the year ended December 31, 2018, with the effect of decreasing the loan burden.

In October 2018, the Group has signed a settlement and release agreement with US EXIM Bank in relation to its loan in the total amount, including interest, of USD 3,4 million as of September 2018 whereby the Group would pay USD 1,1 million through December 2018 and January 2019 to settle the debt in full. At the date of this report, the Group has repaid a total of USD 0,7 million and the remaining balance is USD 0,4 million.

The Group has finalized restructuring terms for an overdue loan from LBBW in the total amount as at 31 December 2018, including interest, of USD 9,9 million. As a result, the Group's debt under the loan was reduced to EUR 3,2 million. At the date of this report, the remaining balance is USD 3,3 million.

The above progress has allowed the Group to secure new financing from TASCOMBANK in the total amount of USD 1,3 million in the period of March through May of 2019.

The Group was not in compliance with repayment terms of loans and borrowings amounting to USD 10,8 million as at 31 December 2018.

Based on the above mentioned points, it is not possible for us to conclude whether the Group is able to agree with the counterparties the final restructuring and whether the cash generated by the operations allows the Group to finance its growth (working capital and investment needs), as well as to repay its loans in accordance with the repayment schedule.

Accordingly, we were unable to assess the appropriateness of the Board of Directors' use of going concern assumption in the preparation of the consolidated financial statements. If the Group was unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realized other than in the normal course of business and at amounts which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to reclassify its non-current assets and liabilities as current assets and liabilities.

Other Material Uncertainties

We were not provided with sufficient and appropriate evidence as to verify the existence of accounts receivables amounting to USD 0,7 million and conclude on the recoverability of these receivables.

In addition, we could not verify appropriateness of recognized liabilities amounting to USD 5,2 million due to the limited evidence which may confirm future economic resources outflow and to determine whether any adjustments are necessary in relation to these liabilities.

We were unable to obtain sufficient and appropriate evidence to ascertain appropriateness of non-recognition of Group's current loans amounting to USD 0,5 million due to the limited evidence which may confirm that loans were waived or settled.

We were not provided with sufficient evidence as to confirm the existence of cash and cash equivalents amounting to USD 0,2 million.

We identified a potential legal claim that could lead to economic benefits outflow amounting to USD 0,1 million. Management did not record any provision for this legal claim and we were unable to obtain appropriate audit evidence to conclude that a provision is not necessary.

The Group's subsidiary Abbondanza S.A. was included in consolidated financial statements as at 31 December 2018 with appropriate effect on Group's financial position and financial results for the year then ended. We were unable to determine whether any adjustments were necessary in respect of its assets that it controls, its liabilities for which it is responsible, its income and expenses for the year, and the elements making up the statement of changes in equity and cash flow statement.

KSG Agricultural and Industrial Holding LTD (Cyprus), a fully-owned subsidiary, is included in the consolidated financial statements of the Group.

The auditors of this subsidiary were not able to finish and conclude the audit of the subsidiary and thus did not issue yet their opinion on the financial statements as of 31 December 2017 and 31 December 2018.

As a result, we were unable to determine whether any adjustments were necessary in respect of its assets that it controls, its liabilities for which it is responsible, its income and expenses for the year, and the elements making up the statement of changes in equity and cash flow statement.

As a result of the above matters, we were unable to determine whether any adjustments might have been found necessary in respect of the assets and liabilities, which may be realized other than under the normal course of business, and the elements making up the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the management report but does not include the consolidated financial statements and our report of the "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.

Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" section of this report, we have been unable to form an opinion whether, based on the work undertaken in the course of our audit, the information given in the management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

Responsibilities of the Board of Directors and the Audit Committee 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 the International Financial Reporting Standards (IFRS) as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Responsibilities of the "*Réviseur d'Entreprises Agréé*" for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "*Réviseur d'Entreprises Agréé*" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law dated 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

However, because of the matters described in the "Basis for Disclaimer of Opinion" section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Luxembourg, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Report on Other Legal and Regulatory Requirements

We have been appointed as "Réviseur d'Entreprises Agréé" since 2018, and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 1 year.

Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" section of this report, we have been unable to form an opinion whether, based on the work undertaken in the course of our audit, the information given in the management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the consolidated management report. The information required by Article 68ter 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, included on page 5 and on pages 13 to 16 of the management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that our opinion is consistent with the additional report to the audit committee.

We confirm that the prohibited non-audit services referred to in the EU Regulation No 537/2014 were not provided and that we remained independent of the Group in conducting the audit.

Other Matter

The Corporate Governance Statement includes, when applicable, information required by Article 68ter paragraph (1) points a), b), e), f) and g) 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.

Bertrange, the 19th July 2019

C-CLERC S.A.
Cabinet de révision agréé

Mónika Tasi
Réviseur d'Entreprises Agréé

KSG Agro S.A.

Consolidated Statement of Financial Position

as at 31 December 2018

In thousands of US dollars	**Note**	**31 December 2018**	**31 December 2017**
ASSETS			
Non-current assets			
Property, plant and equipment	8	17,976	18,097
Long-term biological assets	10	22,168	22,558
Deferred expense		372	618
Deferred tax assets	25	236	233
Total non-current assets		**40,752**	**41,506**
Current assets			
Current biological assets	10	6,219	7,701
Inventories and agricultural produce	9	5,846	2,332
Trade and other accounts receivable	12	9,824	6,197
Taxes recoverable and prepaid	13	289	-
Term deposits	11	-	534
Cash and cash equivalents	11	229	760
Total current assets		**22,407**	**17,524**
TOTAL ASSETS		**63,159**	**59,030**
EQUITY			
Share capital	14	150	150
Share premium	14	37,366	37,366
Treasury shares	14	(112)	(112)
Retained earnings		(40,274)	(39,082)
Currency translation reserve		(10,659)	(10,987)
Equity attributable to the owners of the Company		**(13,529)**	**(12,665)**
Non-controlling interests		**7,167**	**7,078**
TOTAL EQUITY		**(6,362)**	**(5,587)**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	15	20,467	22,531
Total non-current liabilities		**20,467**	**22,531**
Current liabilities			
Loans and borrowings	15	23,877	24,659
Trade and other accounts payable	16	23,502	15,712
Promissory notes issued	17	1,339	1,384
Taxes payable		336	331
Total current liabilities		**49,054**	**42,086**
TOTAL LIABILITIES		**69,521**	**64,617**
TOTAL LIABILITIES AND EQUITY		**63,159**	**59,030**

Approved for issue and signed on behalf of the Board of Directors on 19 July 2019.

A.V. Skorokhod
(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 2018

In thousands of US dollars	**Note**	**2018**	**2017**
Revenue	18	28,332	23,187
Gain on initial recognition at fair value and net change in fair value of biological assets less estimated point-of-sale costs	10	5,537	9,666
Cost of sales	19	(31,153)	(21,212)
Gross profit		**2,716**	**11,641**
Government grant received	13	13	350
Selling, general and administrative expenses	20	(1,470)	(1,487)
Other operating income	21	336	735
Operating profit		**1,595**	**11,239**
Finance income	23	2,479	671
Finance expenses	23	(1,719)	(2,141)
Foreign currency exchange gain/(loss), net	24	356	(4,399)
Gain/(loss) on disposal of subsidiaries	5	78	(56)
Impairment gain/(loss) on financial receivables	22	106	(1,844)
Other expenses	22	(2,408)	(2,633)
Profit before tax		**487**	**837**
Income tax (expense)/benefit	25	(11)	58
Profit for the year		**476**	**895**
Profit attributable to:			
Owners of the Company		309	358
Non-controlling interest		167	537
Profit for the year		**476**	**895**
Earnings per share			
Weighted-average number of common shares outstanding	14	15,020,000	15,020,000
Basic earnings per share, USD	14	0.02	0.02
Diluted earnings per share, USD	14	0.02	0.02

Approved for issue and signed on behalf of the Board of Directors on 19 July 2019.

A.V. Skorokhod
(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 Other Comprehensive Income

for the year ended 31 December 2018

In thousands of US dollars	**2018**	**2017**
Profit for the year	**476**	**895**
Other comprehensive income/(loss), net of income tax		
Currency translation differences	735	(2,131)
Total comprehensive income/(loss) for the year	**1,211**	**(1,236)**
Total comprehensive income/(loss) attributable to:		
Owners of the Company	637	(1,526)
Non-controlling interests	574	290
Total comprehensive income/(loss) for the year	**1,211**	**(1,236)**

Approved for issue and signed on behalf of the Board of Directors on 19 July 2019.

A.V. Skorokhod
(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 Cash Flows

for the year ended 31 December 2018

In thousands of US dollars	Note	2018	2017
Cash flows from operating activities			
Profit before tax		**487**	**837**
Adjustments for:			
Depreciation and amortization	8	1,263	1,495
Provision for litigation	22	1,220	-
Impairment and write-off of trade and other accounts receivable and VAT	22	450	2,852
Write off of accounts payable	21	(163)	(586)
Impairment of inventory	22	530	1,215
Gain on initial recognition of biological assets and agricultural produce	10	(5,537)	(9,666)
Exchange differences	24	(356)	4,399
Finance expenses	23	1,719	2,141
Finance income	23	(2,479)	(671)
(Gain)/loss on disposal of subsidiaries	5	(78)	56
Operating cash flows before working capital changes		**(2,944)**	**2,072**
Change in trade and other accounts receivable		(4,192)	(1,543)
Change in current biological assets		7,409	1,587
Change in inventories and agricultural produce		(4,830)	563
Change in trade and other accounts payable		5,272	(420)
Cash generated from operations		**715**	**2,259**
Interest paid		(657)	(1,199)
Income tax paid		(34)	(7)
Cash generated from / (used in) operating activities		**24**	**1,053**
Cash flow from investment activities			
Acquisition of property, plant and equipment		(220)	(1,206)
Interest received		140	138
Disposal of subsidiaries, net of cash disposed		(5)	(20)
Settlement of accounts payable related to investment activities		-	(88)
Net cash generated from / (used in) investment activities		**(85)**	**(1,176)**

In thousands of US dollars	Note	2018	2017
Cash flow from financing activities			
Deposits received		534	-
Proceeds from bank loans and other borrowings	15	150	6,497
Repayment of bank loans	15	(1,064)	(6,655)
Repayment of financial lease liabilities	15	(49)	(38)
Net cash (used in) / received from financing activities		**(429)**	**(196)**
Net (decrease)/increase in cash and cash equivalents		**(490)**	**(319)**
Cash and cash equivalents at the beginning of the period	11	760	1,107
Effect of exchange rate differences on cash and cash equivalents		(41)	(28)
Cash and cash equivalents at the end of the period	11	**229**	**760**

Approved for issue and signed on behalf of the Board of Directors on 19 July 2019.

A.V. Skorokhod
(Chief Executive Officer)

L.L. Omelchenko
(Chief Financial Officer)

Consolidated Statement of Changes in Equity

for the year ended 31 December 2018

In thousands of US dollars	Note	Attributable to owners of the Company						Non-controlling interest	Total equity
		Share capital	Share premium	Treasury shares	Currency translation reserve	Retained earnings	Total attributable to owners of the Company		
Balance as at 1 January 2017		**150**	**37,366**	**(112)**	**(9,103)**	**(39,440)**	**(11,139)**	**6,788**	**(4,351)**
Profit for the year		-	-	-	-	358	358	537	895
Other comprehensive income/(loss)		-	-	-	(1,884)	-	(1,884)	(247)	(2,131)
Total comprehensive income/(loss) for the year		-	-	-	**(1,884)**	**358**	**(1,526)**	**290**	**(1,236)**
Balance as at 31 December 2017		**150**	**37,366**	**(112)**	**(10,987)**	**(39,082)**	**(12,665)**	**7,078**	**(5,587)**
Adjustment on initial application of IFRS 9	7	-	-	-	-	(1,501)	(1,501)	(485)	(1,986)
Adjusted balance as at 1 January 2018		**150**	**37,366**	**(112)**	**(10,987)**	**(40,583)**	**(14,166)**	**6,593**	**(7,573)**
Profit for the year		-	-	-	-	309	309	167	476
Other comprehensive income/(loss)		-	-	-	328	-	328	407	735
Total comprehensive income/(loss) for the year		-	-	-	**328**	**309**	**637**	**574**	**1,211**
Balance as at 31 December 2018		**150**	**37,366**	**(112)**	**(10,659)**	**(40,274)**	**(13,529)**	**7,167**	**(6,362)**

Approved for issue and signed on behalf of the Board of Directors on 19 July 2019.

A.V. Skorokhod
(Chief Executive Officer)

L.L. Omelchenko
(Chief Financial Officer)

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

(All amounts in USD thousand, unless otherwise stated)

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.

Number of employees of the Group as at 31 December 2018 was 566 employees (31 December 2017: 565 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. Remaining shares (35%) are 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 2018 and 2017 were as follows:

			Effective ownership ratio, %	
Operating entity	**Principal activity**	**Country of registration**	**31 December 2018**	**31 December 2017**
KSG Agro S.A.	Holding company	Luxembourg		
KSG Agricultural and Industrial Holding LTD	Subholding company	Cyprus	100%	100%
KSG Agro Polska	Trade of agricultural products, dormant	Poland	100%	100%
KSG Energy Group LTD	Trade of pellets, 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%
Trade House Rantye (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%
Meat plant Dnipro LLC (Note 5)	Manufacture	Ukraine	-	100%
Hlebna Liga LLC	Trader	Ukraine	100%	100%
Agrofirm Vesna LLC	Agricultural production, dormant	Ukraine	100%	100%
Agrotrade LLC	Agricultural production	Ukraine	50%	50%
Factor D LLC	Agricultural production, dormant	Ukraine	50%	50%
Rantye LLC	Agricultural production	Ukraine	50%	50%
Strong-Invest LLC (Note 5)	Agricultural production	Ukraine	50%	-
PrJSC Pererobnyk	Flour and animals' feed producing, dormant	Ukraine	25%	25%

			Effective ownership ratio, %	
Operating entity	**Principal activity**	**Country of registration**	**31 December 2018**	**31 December 2017**
Agroplaza LLC	Intermediate holding company	Ukraine	50%	50%
Stepove LLC	Agricultural production	Ukraine	50%	50%
Dzherelo LLC	Agricultural production	Ukraine	50%	50%
Kolosyste LLC	Agricultural production, dormant	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%
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 from 01 October 2014, so deconsolidation of these companies was provided and net assets were written off to zero.

The Group consolidates all other subsidiaries, including those where it owns less than 51 per cent of the equity shares. Based on the contractual arrangements between the Group and other investors, the Group has the power to appoint and remove the majority of the board of directors of these subsidiaries. The relevant activities of subsidiaries are determined by their boards of directors based on simple majority votes. Therefore, management of the Group concluded that the Group has control over the subsidiaries and the subsidiaries are consolidated in these financial statements.

These consolidated financial statements are presented in thousands 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 recognition of biological assets and agricultural produce based on fair value less costs to sell.

Operating Environment of the Group

Ukrainian economy suffered a deep slump in 2014-2016 due to the political instability, the escalation of the conflict in the Donetsk and Luhansk regions and unfavorable global markets for key export-oriented sectors.

Since 2017 and going into 2018 the Ukrainian economy has demonstrated a slight recovery amid overall macroeconomics stabilization supported by a rise in domestic investment, revival in household consumption, increase in agricultural and industrial production, construction activity and improved environment on external markets.

Ukraine returned to international debt capital markets, having issued a record USD 3 billion 15-year Eurobond at 7.375% in September 2017, which smoothed external debt maturity profile of Ukraine.

The inflation rate in Ukraine was relatively stable at around 11% in 2017 and 2018. GDP also continued to grow at 2-3%.

At the date these financial statements are being issued the official NBU exchange rate of Hryvnia against US dollar was UAH 26.03 per USD 1, compared to UAH 27.68 per USD 1 as at 31 December 2018 and UAH 28.07 per USD 1 as at 31 December 2017.

NBU continues to further ease its currency control restrictions, which were introduced back in 2014. In particular, 2017 and 2018 have seen a decrease in the percentage of mandatory sale of foreign currency, increase in the settlement period for export-import transactions in foreign currency, and increase in limits on dividend payments to non-residents. In 2019, mandatory sale of foreign currency and limits on dividend payments to non-residents were rescinded altogether.

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 relationships between Ukraine and the Russian Federation have remained strained.

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. To deal with new challenges, in September 2014 the Group's management changed their development strategy to focus on farming & pigs breeding, and decrease of loan burden.

Since then, the Group management has been successful in implementation of changed strategy and stabilisation of the Group's financial performance:

- ***Focus on farming & pigs breeding and increase its efficiency***

  - During 2018 the Group concentrated on pig breeding and sold its cattle. As a result, total revenues from livestock breeding segment, including cattle, have decreased from USD 7.7 million in 2017 to USD 7.3 million in 2018. Sales of pigs in live weight and as meat products in both 2018 and 2017 were 98 thousand heads.
  - Demand for pork products in 2018 increased to a point the Group could not keep up with it. Which also resulted in an increase in sales prices.
  - Group revenue in 2018 increased by 22% in comparison with 2017 overall in monetary terms and total sales by individual segment have either increased or remained stable in terms of volume.
  - Revenues from crop production segment have increased by USD 2.6 million in comparison with the same period in 2017 and included sales of both winter and summer crops harvested in 2018.

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

  - Back in 2017, negotiations with international creditors and suppliers related to the restructuring of total debt in the amount of USD 18 mln resulted in signing of the letter of intent where preliminary debt restructuring terms were agreed. According to signed letters of intent, the Group obliged to repay capital amount of debts in ten years' time starting in 2018.
  - Also during 2017, loan with a Ukrainian bank, in the amount of USD 3.1 mln and denominated in UAH, was transferred to USD and EUR with interest rates of 9% and 8%, respectively (instead of 23.68% for UAH).
  - Loans from the Group's parent with principal of USD 10.3 mln and interest of USD 3.5 mln will be payable in 2026.
  - In October 2018, the Group has signed an agreement to restructure its loan to US EXIM in the total amount, including interest, of USD 3.4 mln whereby the Group would pay USD 1.1 mln. The Group has repaid a total of USD 0.7 million and the remaining balance is USD 0.4 million.
  - In February 2019, the Group has restructured its debt under the loan from Big Dutchman Pig Equipment. Restructuring implied a reduction of the loan amount to EUR 1.0 million. At the date these financial statements are being issued, the remaining balance was repaid in full.
  - In July 2019, the Group has finalised restructuring terms for an overdue loan from LBBW in the total amount as at 31 December 2018, including interest, of USD 9.9 million. As a result, the Group's debt under the loan was reduced to EUR 3.2 million. At the date these financial statements are being issued, the remaining balance is USD 3.3 million.
  - The Group's obligations under bank and other loans which existed as at 31 December 2017 are down from USD 47.2 million to USD 44.3 million as at 31 December 2018 and further down to USD 31.8 million at the date these financial statements are being issued.
  - The above progress has allowed the Group to secure new financing from TASCOMBANK in the total amount of USD 1.3 million in the period of March through May of 2019.

The Directors conclude 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 reasonable expectation that the Group 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 31 December 2018 and for the year then ended on a going concern basis. If the Group is not successful in fulfilling the terms of its debt restructuring agreements, 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 recognises 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.

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 2018 five Ukrainian subsidiaries of the Group elected to pay *special tax* (31 December 2017: four). 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. 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.

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. The Group has elected to measure loss allowances for trade receivables at an amount equal to lifetime expected credit losses (ECLs). The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The maximum period considered when estimating expected credit losses is the maximum contractual period which the over Group is exposed to credit risk. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).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.

(All amounts in USD thousand, unless otherwise stated)

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:

	As at 31 December 2018	Average for the year ended 31 December 2018	As at 31 December 2017	Average for the year ended 31 December 2017
USD/UAH	27.6883	27.2016	28.0672	26.6006
EUR/UAH	31.7141	32.1341	33.4954	30.0753

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.

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.

Allowance for lifetime expected credit losses. The Group has elected to measure loss allowances for trade receivables at an amount equal to lifetime expected credit losses (ECLs). The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The maximum period considered when estimating expected credit losses is the maximum contractual period which the over Group is exposed to credit risk. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

At each reporting period, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Cost of inventories. At each reporting date the Group carries out assessment of goods for signs impairment of initial value. As at 31 December 2018 the Group's Management uses method of individual assessment of each unit of goods. The same approach was used in 2017.

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.

(All amounts in USD thousand, unless otherwise stated)

Subsidiaries. The Group consolidates the result of Parisifia Ltd (Cyprus), KSG Energy Group Ltd (Cyprus) and Abbondanza 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) and non-financial assets. 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

In October 2018, the Group has sold its 100% share in Meat Plant Dnipro LLC to a third party for a nominal consideration.

In December 2018, the Group established Strong-Invest LLC, a new wholly-owned subsidiary of Agroplaza LLC.

In August 2017, the 100% share of subsidiary Ranniy Ranok LLC was disposed for UAH 10,000 (USD 389).

Based on subsidiary financials as at the dates of disposal the related impacts were as follows:

	2018	**2017**
	Meat Plant Dnipro LLC	**Ranniy Ranok LLC**
Voting rights disposed	(100)%	(100)%
Effective interest attributable to the owners of the Company	(100)%	(100)%
Inventories	786	46
Cash and cash equivalents	5	20
Biological assets	-	263
Taxes receivable	11	3
Accounts receivable	8	765
Accounts payable	(888)	(1,041)
Fair value of 100% of net assets	**(78)**	**56**
Loss on disposal	**78**	**(56)**
Total consideration received	-	-
Cash and cash equivalents disposed	(5)	(20)
Outflow of cash on disposal	**(5)**	**(20)**

No other business acquisitions or diposals took place during the years ended 31 December 2018 and 2017.

(All amounts in USD thousand, unless otherwise stated)

6. Material non-controlling interests in subsidiaries

Material non-controlling interests as at 31 December 2018 and 2017 were presented by interests in Parisifia LTD Group and PrJSC Pererobnyk.

Non-controlling interests in KSG Energy Group LTD, Parisifia LTD and Abbondanza SA are deemed immaterial.

Parisifia LTD Group comprises Agrotrade LLC, Factor D LLC, Rantye LLC, Agroplaza LLC, Stepove LLC, Dzherelo LLC, Kolosyste LLC.

The summarised financial information of these subsidiaries as at and for the years ended 31 December 2018 and 2017, including the impact of consolidation fair value adjustments, but before intercompany eliminations, was as follows:

	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 2018						
Parisifia ltd Group	50%	50%	167	442	9,545	-
PrJSC Pererobnyk	75%	50%	-	(35)	(2,389)	-
Total			**167**	**407**	**7,156**	**-**
As at 31 December 2017						
Parisifia ltd Group	50%	50%	537	(275)	9,421	-
PrJSC Pererobnyk	75%	50%	-	28	(2,354)	-
Total			**537**	**(247)**	**7,067**	**-**

	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Net assets
As at 31 December 2018					
Parisifia LTD Group	13,380	38,839	(32,216)	(913)	19,090
PrJSC Pererobnyk	245	40	(2,970)	(500)	(3,185)
Total	**13,625**	**38,879**	**(35,186)**	**(1,413)**	**15,905**
As at 31 December 2017					
Parisifia LTD Group	15,249	38,315	(33,304)	(1,430)	18,830
PrJSC Pererobnyk	1,737	(1,452)	(2,931)	(493)	(3,139)
Total	**16,986**	**36,863**	**(36,235)**	**(1,923)**	**15,691**

	Revenue	Profit or loss	Total comprehensive income/(loss)
For the year ended 31 December 2018			
Parisifia LTD Group	13,254	334	1,194
PrJSC Pererobnyk	-	-	(46)
Total	**13,254**	**334**	**1,148**
For the year ended 31 December 2017			
Parisifia LTD Group	13,153	1,074	253
PrJSC Pererobnyk	-	-	37
Total	**13,153**	**1,074**	**290**

(All amounts in USD thousand, unless otherwise stated)

7. Adoption of New or Revised Standards and Interpretations

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2018:

- ***Annual Improvements to IFRS Standards 2014-2016 Cycle*** (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017 and 1 January 2018);

- ***IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration*** (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018);

- ***IFRS 15 - Revenue from Contracts with Customers*** (issued on 28 May 2014 and effective for annual periods beginning on or after 1 January 2018);

  IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control at a point in time or over time requires judgement.

  The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application.The Group's adoption of IFRS 15 does not have any impact on the Group's consolidated financial statements. Accordingly, the information presented for 2017 has not been restated, i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

- ***IFRS 9, Financial Instruments*** (issued on 24 July 2014 and effective for annual periods beginning on or after 1 January 2018);

  IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

  The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening balance of reserves, retained earnings and non-controlling interest (for a description of the transition method, see (iii) below).

	Impact of adopting IFRS 9 on opening balance
Retained earnings	
Recognition of expected credit losses under IFRS 9	(1,501)
Impact at 1 January 2018	**(1,501)**
Non-controlling interests	
Recognition of expected credit losses under IFRS 9	(485)
Impact at 1 January 2018	**(485)**

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

i) Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets held to maturity, loans and receivables and available for sale.

The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) - debt investment; FVOCI - equity investment; or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows: and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

The following accounting policies apply to the subsequent measurement of financial assets.

- Financial assets at FVTPL: these assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

- Financial assets at amortised cost: these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see ii) below), interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

- Debt investments at FVOCI: these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

- Equity investments at FVOCI: these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(All amounts in USD thousand, unless otherwise stated)

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below. The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets				
Trade and other receivables	Loans and receivables	Amortised cost	5,571	3,673
Cash and cash equivalents	Loans and receivables	Amortised cost	760	672
Total financial assets			**6,331**	**4,345**

ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The financial assets at amortised cost consist of trade and other receivables and cash and cash equivalents.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs; these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs; these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECLs.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

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

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Credit-impaired financial assets

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

Presentation of impairment

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

(All amounts in USD thousand, unless otherwise stated)

Impact of the new impairment model

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9 impairment requirements at 1 January 2018 results in an additional allowance for impairment as follows.

Loss allowance at 31 December 2017 under IAS 39	**5,347**
Additional allowance recognised at 1 January 2018 on:	
Trade and other receivables	1,898
Cash and cash equivalents	88
Loss allowance at 1 January 2018 under IFRS 9	**7,333**

Trade and other receivables

The Group considers the model and some of the assumptions used in calculating these ECLs as key sources of estimation uncertainty. The ECLs were calculated based on actual credit loss experience.

The determination of the business model within which a financial asset is held was assessed on the basis of the facts and circumstances that existed at the date of initial application.

(iii) Transition

The Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

The following standards and interpretations are effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted; however, the Group has not early-adopted them:

- ***IFRS 16 – Leases*** (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019);

  IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

  IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees, a lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to IAS 17, i.e. lessors continue to classify leases as finance or operating leases.

  The Group has completed an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 January 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

  In addition, the nature of expenses related to those leases will now change because IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

  As a lessee, the Group can either apply the standard using a:

  - retrospective approach; or

  - modified retrospective approach with optional practical expedients.

  The lessee applies the election consistently to all of its leases.

  The Group plans to apply IFRS 16 initially on 1 January 2019, using a modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

- ***IFRIC 23 Uncertainty over Income Tax Treatments*** (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019);

- ***Annual Improvements to IFRS Standards 2015-2017 Cycle*** *(issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).*

(All amounts in USD thousand, unless otherwise stated)

8. Property, Plant and Equipment

Movement of property, plant and equipment for the year ended 31 December 2018 and 2017 was as follows:

	Buildings	Agricultural equipment	Vehicles and office equipment	Construction in progress	Total
At 1 January 2017					
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 1 January 2017	**9,075**	**1,413**	**346**	**8,239**	**19,073**
Additions	391	510	165	73	1,139
Disposals	-	(57)	(1)	(20)	(78)
Transfers	2,043	1,099	3,466	(6,088)	-
Depreciation charge	(923)	(427)	(112)	-	(1,462)
Exchange difference, cost	(542)	(258)	(248)	86	(962)
Exchange difference, depreciation	178	156	53	-	387
Carrying amount as at 31 December 2017	**10,222**	**2,436**	**3,669**	**1,770**	**18,097**
At 31 December 2017					
Cost	15,138	6,968	5,247	1,770	29,123
Accumulated depreciation	(4,916)	(4,532)	(1,578)	-	(11,026)
Carrying amount as at 31 December 2017	**10,222**	**2,436**	**3,669**	**1,770**	**18,097**
Additions	343	370	177	407	1,297
Disposals	(1)	(318)	(48)	(42)	(409)
Transfers	-	-	-	-	-
Depreciation charge	(871)	(333)	(59)	-	(1,263)
Exchange difference, cost	201	94	70	18	383
Exchange difference, depreciation	(52)	(56)	(21)	-	(129)
Carrying amount as at 31 December 2018	**9,842**	**2,193**	**3,788**	**2,153**	**17,976**
At 31 December 2018					
Cost	15,681	7,114	5,446	2,153	30,394
Accumulated depreciation	(5,839)	(4,921)	(1,658)	-	(12,418)
Carrying amount as at 31 December 2018	**9,842**	**2,193**	**3,788**	**2,153**	**17,976**

No borrowing costs were capitalised during 2017 and 2018.

Included in agricultural equipment are assets held under finance leases with a carrying value of USD 301 thousand (2017: USD 124 thousand). For details refer to Note 15.

For details on property, plant and equipment pledged to secure bank loans refer to Note 15.

Management have determined that fair value of property, plant and equipment approximates the carrying amount as at 31 December 2018 and 2017.

The Group did not have any contingent liabilities for acquisition of property, plant and equipment as at 31 December 2018 and 2017.

(All amounts in USD thousand, unless otherwise stated)

9. Inventories and Agricultural Produce

	31 December 2018	31 December 2017
Agricultural produce	3,225	513
Work in progress	1,640	549
Semi-finished goods	12	455
Agricultural stock	223	288
Raw materials	317	207
Goods for resale	59	97
Finished goods	142	164
Fuel	52	30
Other	176	29
Total inventories and agricultural produce	**5,846**	**2,332**

Finished products consist mainly of livestock mixed fodder used for pig breeding. Semi-finished products are processed pork products sold to final consumers. Work in progress is accumulated expenses related to land cultivation for sowing of spring crops (fuel, fertilisers, irrigation, payroll, depreciation and amortisation). Agricultural stocks represent inventories used in crops sowing process (seeds, fertilisers, weed killers, chemical products and crop protection products). Agricultural produce consists of own produced wheat, sunflower, barley, rapeseed, corn and sorghum used in future sales or in the Group's operational activity.

In 2018 the Group recognised the reversal of previously written down inventories in the amount of nil (2017: USD 285 thousand).

10. Biological Assets

	31 December 2018		31 December 2017	
	Units	**Amount**	**Units**	**Amount**
Non-current biological assets (livestock)				
Cattle	-	-	334	189
Sows	5,044	22,163	4,841	22,261
Boars	38	5	27	7
	Area, ha	**Amount**	**Area, ha**	**Amount**
Non-current biological assets (crops)				
Other perennial grasses	-	-	33	101
Total non-current biological assets		**22,168**		**22,558**

	31 December 2018		31 December 2017	
Current biological assets (livestock)	**Units**	**Amount**	**Units**	**Amount**
Cattle	-	-	278	91
Pigs	47,426	2,211	53,493	3,194
Current biological assets (crops)	**Area, ha**	**Amount**	**Area, ha**	**Amount**
Wheat	8,296	2,223	6,351	1,899
Barley	2,309	566	951	92
Rapeseed	2,490	1,056	4,055	2,384
Sunflower	59	24	101	41
Other	36	139	-	-
Total current biological assets		**6,219**		**7,701**
Total biological assets		**28,387**		**30,259**

(All amounts in USD thousand, unless otherwise stated)

The total area of agricultural land used by the Group as at 31 December 2018 is approximately 27 thousand hectares, including approximately 13 thousand hectares under winter crops (2017: 30 thousand hectares, including approximately 11.4 thousand hectares under winter crops).

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.
For details on biological assets pledged to secure bank loans refer to Note 15.

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

	Crops	Livestock	Total
Carrying amount as at 01 January 2017	**1,984**	**24,351**	**26,335**
Purchases	-	34	34
Investments into future crops and livestock	7,104	9,787	16,891
Sales	-	(10,963)	(10,963)
Gain/(loss) arising from changes in fair value attributable to physical changes and changes in market prices	6,640	3,026	9,666
Harvested during the period	(10,801)	-	(10,801)
Disposals of subsidiaries	(172)	-	(172)
Loss from dead crops	(19)	-	(19)
Exchange differences	(219)	(493)	(712)
Carrying amount as at 31 December 2017	**4,517**	**25,742**	**30,259**
Purchases	-	-	-
Investments into future crops and livestock	9,566	11,492	21,058
Sales	-	(13,871)	(13,871)
Gain/(loss) arising from changes in fair value attributable to physical changes and changes in market prices	(3,197)	633	(2,564)
Harvested during the period	(6,950)	-	(6,950)
Disposals of subsidiaries	-	-	-
Exchange differences	72	383	455
Carrying amount as at 31 December 2018	**4,008**	**24,379**	**28,387**

Other costs incurred on crops in the field mostly consist of services of land processing and cultivation, harvesting and transportation.

Costs incurred during the year ended 31 December 2018 on crops in the field and livestock were as follows:

	Crops	Livestock	Total
Raw materials	4,853	9,089	13,942
Land lease expenses	957	-	957
Staff costs	276	353	629
Depreciation and amortisation	315	1,651	1,966
Other	3,165	399	3,564
Total costs incurred during the period	**9,566**	**11,492**	**21,058**

Costs incurred during the year ended 31 December 2017 on crops in the field and livestock were as follows:

	Crops	Livestock	Total
Raw materials	3,261	8,381	11,642
Land lease expenses	1,139	-	1,139
Staff costs	371	328	699
Depreciation and amortisation	227	996	1,223
Other	2,106	82	2,188
Total costs incurred during the period	**7,104**	**9,787**	**16,891**

(All amounts in USD thousand, unless otherwise stated)

Gain on initial recognition at fair value and net change in fair value of biological assets for the years ended 31 December 2018 and 2017 were as follows:

	2018	2017
Crops in the field	(3,279)	3,668
Agricultural produced at the date of harvesting	6,758	2,972
Sows	(433)	1,198
Livestock husbandry	2,491	1,797
Dairy cows	-	31
Total gain on initial recognition at fair value and net change in fair value of biological assets	**5,537**	**9,666**

Description fair value as of 31 December 2018 evaluation method unattended inputs range of unobserved inputs:

Description	Fair value as at 31 December 2018	Valuation technique	Unobservable inputs	Range of unobservable inputs
Crops in the field - Winter wheat	2,223	Discounted cash flows	Crop yield - tonnes per hectare	2.71
			Crops price, USD	169 per tonne
			Discount rate	16.33%
Crops in the field - Winter barley	566	Discounted cash flows	Crop yield - tonnes per hectare	2.34
			Crops price, USD	178 per tonne
			Discount rate	16.33%
Crops in the field - Winter rapeseed	1,056	Discounted cash flows	Crop yield - tonnes per hectare	1.69
			Crops price, USD	381 per tonne
			Discount rate	16.33%
Sows	22,163	Discounted cash flows	Piglets production, heads (average)	120,978 per year
			Price, USD	1,324 – 1,844 per tonne
			Discount rate	16.33%
Pigs	2,211	Market Price	Meat price, USD	1,324 per tonne

Changes in key assumptions used to estimate biological assets fair value would have the following effect on the fair value of biological assets:

	Effect on fair value of biological assets
10 % increase in price for meat	234
10 % decrease in price for meat	(234)
10 % increase in prices for crops	575
10 % decrease in prices for crops	(575)
10 % increase in yield for crops	575
10 % decrease in yield for crops	(575)
10 % increase in production costs until harvest	(512)
10 % decrease in production costs until harvest	512
5 pp increase in discount rate	(6,078)
5 pp decrease in discount rate	12,945

(All amounts in USD thousand, unless otherwise stated)

Agricultural produced crops harvested during the years ended 31 December 2018 and 2017 were presented in bunker weight as follows:

Crop harvested	2018 in tonnes	2017 in tonnes
Wheat	18,839	19,667
Barley	3,136	5,173
Rapeseed	5,754	790
Sunflower	23,452	18,413
Corn	1,017	1,659
Total	**52,198**	**45,702**

11. Cash, Cash Equivalents and Term Deposits

	31 December 2018	31 December 2017
Cash in bank / (Overdraft)	229	760
Total cash and cash equivalents	**229**	**760**
Term deposits	-	534
Total deposits	**-**	**534**

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

	31 December 2018		31 December 2017	
	Cash in bank / (overdraft)	Term deposits	Cash in bank / (overdraft)	Term deposits
UAH	147	-	681	534
EUR	54	-	7	-
USD	23	-	67	-
PLN	3	-	3	-
CHF	2	-	2	-
Total	**229**	**-**	**760**	**534**

For details on deposits pledged to secure bank loans refer to Note 15.

12. Trade and Other Accounts Receivable

	31 December 2018	31 December 2017
Trade accounts receivable	8,250	4,754
Less: provision for trade accounts receivable	(3,059)	(2,417)
Loans issued	4,308	2,983
Less: provision for loans issued	(1,456)	(481)
Other financial receivables	4,208	3,181
Less: provision for other financial receivables	(2,538)	(2,449)
Total financial trade and other receivables	**9,713**	**5,571**
Advances issued	409	742
Less: provision for advances issued	(298)	(116)
Total trade and other accounts receivable	**9,824**	**6,197**

(All amounts in USD thousand, unless otherwise stated)

Loans issued represent interest-free loans and are repayable within twelve months.

As at 31 December 2018 and 2017, most financial receivables were denominated in UAH, for details refer to section Currency risk in Note 28.

The fair value of each class of trade and other receivables as at 31 December 2018 and 2017 approximates their carrying amount as at these dates.

No receivables were pledged to secure bank loans.

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

	Trade receivables	Other receivables	Loans issued	Advances issued
Impairment at 1 January 2017	**1,824**	**1,542**	**350**	**116**
Impairment for the year	686	1,008	150	4
Exchange differences	(93)	(101)	(19)	(4)
Impairment at 31 December 2017	**2,417**	**2,449**	**481**	**116**
Adjustment on initial application of IFRS 9	455	319	1,124	-
Impairment at 1 January 2018	**2,872**	**2,768**	**1,605**	**116**
Impairment for the year	222	(189)	(139)	205
Exchange differences	(35)	(41)	(10)	(23)
Impairment at 31 December 2018	**3,059**	**2,538**	**1,456**	**298**

Analysis by credit quality of financial receivables is as follows:

	31 December 2018			**31 December 2017**		
	Trade receivables	**Loans issued**	**Other receivables**	**Trade receivables**	**Loans issued**	**Other receivables**
Neither past due nor impaired						
- Related parties	-	-	-	-	-	-
Total neither past due nor impaired	-	-	-	-	-	-
Total overdue						
- less than 90 days overdue	2,406	266	928	904	2,271	16
- 91 to 180 days overdue	1,363	1,255	18	1,150	69	219
- 181 to 360 days overdue	423	397	411	287	162	497
- over 360 days overdue	4,058	2,390	2,851	2,413	481	2,449
Total overdue	**8,250**	**4,308**	**4,208**	**4,754**	**2,983**	**3,181**
Less: provision for impairment	(3,059)	(1,456)	(2,538)	(2,417)	(481)	(2,449)
Total trade and other receivables	**5,191**	**2,852**	**1,670**	**2,337**	**2,502**	**732**

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

Not overdue accounts receivable from related parties were mainly presented by the amounts due from 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.

13. Taxes recoverable and prepaid, government grants received

	31 December 2018	31 December 2017
VAT recoverable	255	-
Other taxes receivable	34	-
Total taxes recoverable and prepaid	**289**	**-**

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 2018 and 2017 were presented by VAT refunds amounting to USD 13 thousand and USD 350 thousand, respectively.

14. Share Capital and Share Premium

As of 31 December 2018 and 2017, 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 USD, except number of shares	Number of shares	Ordinary shares	Share premium	Total
At 1 January 2017	**15,020,000**	**150**	**37,254**	**37,404**
Share issue	-	-	-	-
At 31 December 2017	**15,020,000**	**150**	**37,254**	**37,404**
Changes in Equity	-	-	-	-
At 31 December 2018	**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 USD, except number of shares	31 December 2018	31 December 2017
Profit for the year attributable to owners of the Company – basic	309	358
Profit/(loss) from discontinued operations attributable to ordinary shareholders of the Company	-	-
Interest on convertible preference shares	-	-
Profit for the year attributable to owners of the Company – diluted	309	358
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	**0.02**	**0.02**
Diluted earnings per share, USD	**0.02**	**0.02**

(All amounts in USD thousand, unless otherwise stated)

15. Loans and Borrowings

	31 December 2018	31 December 2017
Non-current		
Financial lease liabilities	98	52
Bank loans	20,369	22,479
Total non-current loans and borrowings	**20,467**	**22,531**
Current		
Financial lease liabilities	70	28
Bank loans	23,807	24,631
Total current loans and borrowings	**23,877**	**24,659**

As at 31 December 2018 and 2017, the Group's loans and borrowings were denominated in the following currencies:

	31 December 2018	31 December 2017
Borrowings denominated in:		
- USD	26,949	29,552
- UAH	168	80
- EUR	17,227	17,558
Total loans and borrowings	**44,344**	**47,190**

The Group was not in compliance with repayment terms with respect to a loan of USD 9,998 thousand as at 31 December 2018 (2017: USD 10,308 thousand). Consequently, the non-current loan, which contractually matured in 2021, was classified as current and payable on demand.

The Group also had overdue balances with PJSC Credit Agricole, who sued several of the Group's entities (Note 31). In January 2018, the liability was purchased from the bank by a third party. The amount of debt oustanding as at 31 December 2018 was USD 3,920 thousand (2017: USD 3,861 thousand).

In February 2017, the Group signed restructuring agreements on loans with Big Dutchman Pig Equipment that were overdue as at 1 January 2017 (principal USD 4,174 thousand, interest USD 535 thousand, repayable within 10 years). In accordance with the agreement signed by the Group in February 2019, the Group's debt under the loan with Big Dutchman Pig Equipment was again restructured. Restructuring implied a reduction of the loan amount to EUR 1,030 thousand, which was fully repaid by July 2019.

As at 31 December 2018, the Group had a loan from LBBW with overdue payments (including interest) in the total amount of USD 9,999 thousand (2017: USD 8,201 thousand). For all loans with breach of repayment terms where negotiations with finance providers have not been finalised as of the end of the year, outstanding amounts as at year-end were classified as current borrowings. In July 2019, the Group has finalised restructuring terms for the overdue loan from LBBW. As a result, the Group's debt under the loan was reduced to EUR 3.2 million. At the date these financial statements are being issued, the remaining balance is USD 3.3 million (Note 32).

In October 2018, the Group has signed a settlement and release agreement with US EXIM bank in relation to its loan in the total amount, including interest, of USD 3,393 thousand as of September 2018 whereby the Group would pay USD 1,119 thousand through December 2018 and January 2019 to settle the debt in full. At the date these financial statements are being issued, the Group is renegotiating terms of this agreement as it failed to pay the remaining amount by the end of January 2019. The Group has repaid a total of USD 700 thousand and the remaining balance is USD 419 thousand (Note 32).

The Group's loans and borrowings obtained by Ukrainian and Cypriot subsidiaries are carried at amortised cost. Different interest rates for such loans and borrowings are defined by market conditions based on country and currency risks by independent banks and borrowers. Loan obtained from a related party with fixed interest rate has the equal interest rate as non-related banks with flexible interest rates obtained by Cypriot subsidiary (in range from 1.1% up to 3.4% and based on official LIBOR and EURIBOR rates). Loans obtained by Ukrainian subsidiaries have close range of fixed interest rates from 8% up to 11%. Management made an assessment of the fair value of bank and other borrowings as at 31 December 2018 and 2017. Fair value of the Group's bank and other borrowings as at 31 December 2017 amounted to USD 46,553 thousand. Fair value of the Group's bank and other borrowings as at 31 December 2018 amounted to USD 43,534 thousand.

(All amounts in USD thousand, unless otherwise stated)

As at 31 December 2018 and 2017, maturity of the Group's loans and borrowings was as follows:

	31 December 2018	31 December 2017
Loans and borrowings due:		
- within 1 year	23,877	24,659
- between 1 and over 5 years	20,467	22,531
Total borrowings	**44,344**	**47,190**

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

	31 December 2018	31 December 2017
Bank loans	24,235	27,461
Loan from related party	10,363	10,363
Interest payable	6,065	5,773
Accrued provision	3,513	3,513
Financial lease liabilities	168	80
Total bank and other loans	**44,344**	**47,190**

Accrued provision relates to a loan from Cambio bank, which was substituted by a liability to individuals. As a result of the crisis in Ukraine, in 2015, several Ukrainian banks have been forced to start the 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, the liability was presented in the financial statements as bank loans in the total amount of USD 3,513 thousand. During 2017 and 2018 there were no changes in the amount of the loan due to the absence of changes in the conditions of this liability. The Group is in the process of setting up terms of restructuring and payments with these individuals.

Loan from a related party, Olbis Investments SA, (Note 27) with principal as at 31 December 2018 and 2017 of USD 10,363 thousand and interest as at 31 December 2018 of USD 3,553 thousand (2017: interest of USD 3,242 thousand) will be payable in 2026 based on the transfer agreement from ICD Investments SA to Olbis Investments SA signed in November 2016.

Movement in bank loans during the period related to:

	2018	2017
Carrying amount as at 1 January	**47,110**	**45,176**
Loan received	150	6,499
Loan repaid	(1,064)	(7,134)
Interest accrued	1,514	2,202
Interest paid	(657)	(1,627)
Gain on restructuring	(2,338)	-
Exchange differences	(539)	1,994
Carrying amount as at 31 December	**44,176**	**47,110**

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

	31 December 2018	31 December 2017
Property, plant and equipment	554	692
Biological assets	276	280
Total carrying amount of collateral	**830**	**972**

As at 31 December 2018, a related party pledged real estate of contractual value of USD 10,744 thousand as collateral for liabilities of the Group in the amount of USD 5,999 thousand (2017: contractual value of USD 10,600 thousand for respective liabilities of the Group in the amount of USD 5,918 thousand).

(All amounts in USD thousand, unless otherwise stated)

As at 31 December 2018 and 2017, obligations under financial lease liabilities were:

	31 December 2018	31 December 2017
Long-term	96	52
Short-term	72	28
Total finance lease liabilities	**168**	**80**
Total future minimum lease payments	250	109
Less: interest expenses	(82)	(29)
Discounted value of future minimum lease payments	**168**	**80**

As at 31 December 2018, 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:

	2019	2020	2021	Total
Future minimum lease payments	117	89	44	250
Less: interest expenses	(45)	(27)	(10)	(82)
Discounted value of future minimum lease payments	**72**	**62**	**34**	**168**

As at 31 December 2017, 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:

	2018	2019	2020	Total
Future minimum lease payments	45	39	25	109
Less: interest expenses	(17)	(10)	(2)	(29)
Discounted value of future minimum lease payments	**28**	**29**	**23**	**80**

As at 31 December 2018 and 2017, minimum lease payments were as follows:

	31 December 2018	31 December 2017
During 1 year	117	45
Over 1 year but no more than 5 years	133	64
Total lease payments	**250**	**109**

Leased assets with the carrying amount of USD 301 thousand (31 December 2017: USD 124 thousand) are presented as 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 2017 and therefore, according to the lease agreements, the lessor can't require the immediate return of those assets.

16. Trade and Other Accounts Payable

	31 December 2018	31 December 2017
Trade payables	12,253	5,990
Financial assistance received	4,677	6,198
Land lease payables	798	697
Other accounts payable	3,074	509
Total financial trade and other payables	**20,802**	**13,394**
Prepayments received	1,255	2,228
Litigation reserve	1,386	-
Wages and salaries accrued	59	90
Total trade and other payables	**23,502**	**15,712**

Accounts payable and prepayments received are interest-free and settled in the normal course of business. Financial assistance received consists of amounts received from counterparties for activity financing with maturity of less than one year and free of interest. Majority of these balances relates to trading activity with agricultural produce.

(All amounts in USD thousand, unless otherwise stated)

17. Promissory notes issued

	31 December 2018	31 December 2017
Short-term promissory notes issued	1,339	1,384
Total promissory notes issued	**1,339**	**1,384**

Short-term promissory notes issued are carried at amortised cost.

18. Revenue

	2018	2017
Sale of agricultural produced and processed food	26,856	21,838
Rendering of services	1,476	1,349
Total revenue	**28,332**	**23,187**

19. Cost of Sales

	2018	2017
Cost of agricultural produced and processed food	28,809	20,128
Cost of rendered services	2,344	1,084
Total cost of sales	**31,153**	**21,212**

Components of cost of sales were as follows:	2018	2017
Incurred costs	21,307	17,865
Revaluation effects	9,846	3,347
Total cost of sales	**31,153**	**21,212**

Cost of sales for the years ended 31 December 2018 and 2017 was as follows:

	2018	2017
Feeds	7,492	4,326
Raw materials	8,800	3,933
Goods for resale	3,442	2,057
Maintenance of equipment	145	1,564
Land lease expenses	286	1,397
Fuel	1,728	1,108
Other raw materials- fertilizer	1,230	872
Depreciation and amortisation	1,758	863
Raw materials - seed	285	782
Other expenses	1,766	718
Other raw materials	348	615
Other raw materials- plant protection products	477	598
Payroll	769	579
Electricity	494	426
Agricultural stock	854	413
Taxes	60	326
Heating	58	316
Veterinary medicine	563	150
Water consumption	197	85
Transport service	221	31
Rent of buildings and equipment	94	38
Slaughter and processing service	86	9
Other materials	-	6
Total cost of sales	**31,153**	**21,212**

(All amounts in USD thousand, unless otherwise stated)

20. Selling, General and Administrative Expenses

	2018	2017
Wages and salaries	325	321
Informational, expert and consulting services	168	140
Transport services	120	128
Crops storage services	83	106
Depreciation and amortisation	96	97
Taxes, other than income tax	52	74
Bank services	32	50
Fuel and other materials	27	35
Other expenses	567	536
Total selling, general and administrative expenses	**1,470**	**1,487**

Total audit service fees provided to the Group for 2018 amount to USD 99 thousand (2017: USD 100 thousand).

21. Other operating income

For the years ended 31 December 2018 and 2017 other operating income of the Group was USD 336 thousand and USD 735 thousand, respectively. During 2018 the most significant element of other operating income was the writte-off of payables in the amount of USD 163 thousand. During 2017 the most significant element of other operating income was write-off of payables in the amount of USD 586 thousand.

22. Other Expenses and Impairment (gain)/loss on financial receivables

	2018	2017
Impairment (gain)/loss on financial receivables	(106)	1,844
Impairment of advances issued and other receivables	205	839
Provision for litigation	1,220	-
Inventory write-down	530	1,196
VAT written off	351	169
Fines and penalties	102	395
Write-off cost of crop production and loss of harvest	-	19
Loss of current's assets sales	-	15
Total other expenses	**2,302**	**4,477**

For the year ended 31 December 2017, impairment of advances issued and other receivables includes impairment of long-term promissory notes in full amount.

23. Finance Income and Expenses

	2018	2017
Finance income		
Interest income	17	138
Other finance income	2,462	533
Total finance income	**2,479**	**671**
Finance expenses		
Interest expense on bank loans	(1,514)	(2,114)
Other finance expenses	(205)	(27)
Total finance expenses	**(1,719)**	**(2,141)**

(All amounts in USD thousand, unless otherwise stated)

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

	2018	2017
Foreign currency exchange gain	2,654	2,908
Foreign currency exchange loss	(2,298)	(7,307)
Net amount	**356**	**(4,399)**

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 ("FAT") in accordance with the Tax Code of Ukraine.

FAT replaces the following taxes for agricultural producers: Corporate Income Tax, Land Tax, Special Water Consumption Duty and Trade Patent. 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 on the income statement within cost of sales.

During 2017 and 2018, Ukrainian subsidiaries that were Corporate Income Tax ("CIT") payers were subject to income tax at a rate of 18%.

Deferred income tax assets and liabilities as of 31 December 2018 and 2017 were measured based on the tax rates expected to be applied to the periods when the temporary differences are expected to reverse.

Income tax expense comprises the following:

	2018	2017
Current tax expense	(11)	(10)
Deferred tax benefit	-	68
Income tax benefit	**(11)**	**58**

Reconciliation between expected and actual income tax expense was as follows:

	2018	2017
Profit before tax	**(529)**	**837**
- Profit attributable to FAT payers	393	2,899
- Loss attributable to Ukrainian subsidiaries	(3,320)	(155)
- Loss attributable to other Group companies	2,398	(1,907)
Income tax (benefit) / expense related to Ukrainian subsidiaries	598	28
Income tax (benefit) / expense related to other Group companies	-	263
• non-deductible expense	-	-
• change in unrecognised deferred tax asset	(609)	(233)
Income tax benefit / (expense)	**(11)**	**58**

Movement in deferred taxes for the year ended 31 December 2018 was as follows:

	31 December 2017	Credited/ (charged) to profit or loss	Translation difference	31 December 2018
Tax effect of deductible temporary differences				
Accounts receivable	348	(24)	4	328
Gross deferred tax asset	**348**	**(24)**	**4**	**328**
Tax effect of taxable temporary differences				
Property, plant and equipment	(115)	24	(1)	(92)
Gross deferred tax liability	**(115)**	**24**	**(1)**	**(92)**
Recognised deferred tax asset / (liability)	**233**	**-**	**3**	**236**

(All amounts in USD thousand, unless otherwise stated)

Movement in deferred taxes for the year ended 31 December 2017 was as follows:

	31 December 2016	Credited / (charged) to profit or loss	Translation difference	31 December 2017
Tax effect of deductible temporary differences				
Accounts receivable	317	43	(12)	348
Gross deferred tax asset	**317**	**43**	**(12)**	**348**
Tax effect of taxable temporary differences				
Property, plant and equipment	(144)	25	4	(115)
Gross deferred tax liability	**(144)**	**25**	**4**	**(115)**
Recognised deferred tax asset / (liability)	**173**	**68**	**(8)**	**233**

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.

Cost of sales allocated into other operations segment includes the cost of overall production cycle of the whole Group activity and thus the cost of sales allocated to that segment can be split into other segments if to be reviewed under a different point of interest.

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.

(All amounts in USD thousand, unless otherwise stated)

Information about operating segments for 2018 is as follows:

	Crop production	Food processing	Livestock breeding	Other operations	Total
Revenue, including:					
- sales of goods	11,007	4,582	7,300	3,967	26,856
- rendering of services	-	-	-	1,476	1,476
Revenue from external customers	**11,007**	**4,582**	**7,300**	**5,443**	**28,332**
Change in fair value of biological assets less estimated point-of-sale costs	3,479	-	2,058	-	5,537
Cost of sales	(13,618)	(4,308)	(7,753)	(5,474)	(31,153)
Segment profit/(loss)	**868**	**274**	**1,605**	**(31)**	**2,716**
Government grant received					13
Selling, general and administrative expenses					(1,470)
Other operating income / (expense), net					336
Operating profit					**1,595**
Finance income					2,479
Finance expenses					(1,719)
Foreign currency exchange gain/(loss), net					356
Other expenses					(2,224)
Profit before tax					**487**
Income tax benefit					(11)
Profit for the period					**476**
Other segment information:					
Depreciation and amortisation	303	57	801	102	**1,263**
Capital expenditure	766	-	493	38	**1,297**

Information about operating segments for 2017 is as follows:

	Crop production	Food processing	Livestock breeding	Other operations	Total
Revenue, including:	8,363	5,007	7,717	2,100	23,187
- sales of goods	8,363	5,007	7,717	751	21,838
- rendering of services	-	-	-	1,349	1,349
Revenue from external customers	**8,363**	**5,007**	**7,717**	**2,100**	**23,187**
Change in fair value of biological assets less estimated point-of-sale costs	6,641	-	3,025	-	9,666
Cost of sales	(7,655)	(4,702)	(5,879)	(2,976)	(21,212)
Segment profit/(loss)	**7,349**	**305**	**4,863**	**876**	**11,641**
Government grant received					350
Selling, general and administrative expenses					(1,487)
Other operating income / (expense), net					735
Operating profit					**11,239**
Finance income					671
Finance expenses					(2,141)
Foreign currency exchange gain/(loss), net					(4,399)
Other expenses					(4,533)
Profit before tax					**837**
Income tax expense					58
Profit for the period					**895**
Other segment information:					
Depreciation and amortisation	423	69	871	131	**1,494**
Capital expenditure	674	3	404	58	**1,139**

(All amounts in USD thousand, unless otherwise stated)

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

	2018	2017
Ukraine	24,761	21,013
Europe	3,571	2,174
Total revenue	**28,332**	**23,187**

Seasonality of operations

Crop production segment, due to seasonality and implications of IAS 41, in the first half of the year mainly reflects the sales of carried forward agricultural produce and effect of biological assets revaluation, while during the second half of the year it reflects sales of crops and effect of revaluation of agricultural produce harvested during the year. Also, crop production segment has seasonal requirements for working capital increase during November-May, to undertake land preparation work.

Food processing segment, pigs' breeding as well as other operations segment are not significantly exposed to the seasonal fluctuations.

27. Related Parties

Significant related party balances outstanding at the reporting dates are:

	31 December 2018		31 December 2017	
	Parent and owners	Entities under common control	Parent and owners	Entities under common control
Assets				
Trade and other accounts receivable	-	380	-	121
Other financial receivables	-	24	-	389
Loans issued	-	22	-	12
Advances issued	-	5	-	13
Liabilities				
Loans	10,363	-	10,363	-
Interest payable	3,553	-	3,242	-
Financial assistance received	-	956	-	1,061
Trade and other accounts payable	27	95	27	87

Loans and interest payable refer to a loan from the Parent, Olbis Investments SA, which originated based on the transfer agreement from ICD Investments SA to Olbis Investments SA, signed in November 2016, and is payable in 2026.

Revenue and expenses transactions with related parties during the years 2018 and 2017 were as follows:

	2018		2017	
	Parent and owners	Entities under common control	Parent and owners	Entities under common control
Finance expenses	311	-	199	193

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

As at 31 December 2018, the ultimate controlling party and other related parties provided collateral for the Group's loan of USD 5,906 thousand and USD 4,838 thousand, respectively (2017: USD 5,827 thousand and USD 4,773 thousand respectively).

(All amounts in USD thousand, unless otherwise stated)

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 2018 comprised short-term benefits totalling USD 72 thousand (2017: USD 66 thousand).

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

28. 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:

	2018	2017
Financial assets		
Term deposits	-	534
Trade and other accounts receivable	9,713	5,571
Cash and cash equivalents	229	760
Total financial assets	**9,942**	**6,865**
Financial liabilities		
Trade and other accounts payable	20,802	13,394
Loans and borrowings	44,344	47,190
Promissory notes issued	1,339	1,384
Total financial liabilities	**66,485**	**61,968**

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 2018, the Group had 8 counterparties (31 December 2017: 8 counterparties) with aggregated receivable balances above USD 150 thousand (2017: USD 150 thousand) each. The total aggregate amount of these balances was USD 6,014 thousand (31 December 2017: USD 4,016 thousand) or 66% of the net amount of trade and other receivables (31 December 2017: 88%).

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 2018, 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 1,712 thousand lower (2016: USD 2,301 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 profit or loss.

(All amounts in USD thousand, unless otherwise stated)

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 2018, the Group had financial assets and liabilities denominated in foreign currency, net position of which is presented below:

	USD	EUR	PLN	CHF	UAH	Total
Financial assets						
Term deposits	-	-	-	-	-	-
Trade and other accounts receivable	983	214	-	-	8,516	9,713
Cash and cash equivalents	23	54	3	2	147	229
Total financial assets	**1,006**	**268**	**3**	**2**	**8,663**	**9,942**
Financial liabilities						
Trade and other accounts payable	3,722	1,851	5	190	15,034	20,802
Loans and borrowings	26,949	17,227	-	-	168	44,344
Promissory notes issued	-	1,150	158	-	31	1,339
Total financial liabilities	**30,671**	**20,228**	**163**	**190**	**15,233**	**66,485**
Total: net value	**(29,665)**	**(19,960)**	**(160)**	**(188)**	**(6,570)**	**(56,543)**

As of 31 December 2017, the Group has financial assets and liabilities denominated in foreign currency, net position of which is presented below:

	USD	EUR	PLN	CHF	UAH	Total
Financial assets						
Term deposits	-	-	-	-	534	534
Trade and other accounts receivable	1,211	410	-	-	3,950	5,571
Cash and cash equivalents	65	10	2	2	681	760
Total financial assets	**1,276**	**420**	**2**	**2**	**5,165**	**6,865**
Financial liabilities						
Trade and other accounts payable	2,591	2,253	4	189	8,357	13,394
Loans and borrowings	29,552	17,558	-	-	80	47,190
Promissory notes issued	-	1,189	164	-	31	1,384
Total financial liabilities	**32,143**	**21,000**	**168**	**189**	**8,468**	**61,968**
Total: net value	**(30,867)**	**(20,580)**	**(166)**	**(187)**	**(3,303)**	**(55,103)**

Due to 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 profit before tax by USD 5,933 thousand, respectively (31 December 2016: 20% and USD 6,173 thousand).

Due to 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 3,992 thousand, respectively (31 December 2016: 20% and USD 4,116 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 Group's ratio of current assets to current liabilities as at 31 December 2018 was 0.44 (2017: 0.42). Management recognises that such low liquidity is, to a considerable extent, a result of unpaid and overdue loans and that the issue would be mitigated as debt restructuring is finalised.

(All amounts in USD thousand, unless otherwise stated)

The table below shows liabilities at 31 December 2018 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 2018 was as follows:

	Less than 1 year	From 1 year to 2 years	From 2 years to 5 years	Over 5 years	Total	Carrying amount
Loans	23,807	2,404	2,385	15,580	44,176	44,176
Future interest cash flow – loans	844	844	1,130	3,043	5,861	-
Financial lease liabilities	72	62	34	-	168	168
Future interest cash flow – financial lease liabilities	45	27	10	-	82	-
Trade and other payables	20,802	-	-	-	20,802	20,802
Promissory notes issued	1,339	-	-	-	1,339	1,339
Total	**46,909**	**3,337**	**3,559**	**18,623**	**72,428**	**66,485**

The maturity analysis of financial liabilities at 31 December 2017 was as follows:

	Less than 1 year	From 1 year to 2 years	From 2 years to 5 years	Over 5 years	Total	Carrying amount
Loans	24,631	2,259	4,305	15,915	47,110	47,110
Future interest cash flow – loans	798	654	853	3,068	5,373	-
Financial lease liabilities	28	29	23	-	80	80
Future interest cash flow – financial lease liabilities	17	10	2	-	29	-
Trade and other payables	13,394	-	-	-	13,394	13,394
Promissory notes issued	1,384	-	-	-	1,384	1,384
Total	**40,252**	**2,952**	**5,183**	**18,983**	**67,370**	**61,968**

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

29. 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.

	31 December 2018	31 December 2017
Total amount of borrowings	45,683	48,574
Less: cash and cash equivalents	(229)	(760)
Net debt	45,454	47,814
Total capital	(6,362)	(5,587)
Debt to capital ratio, %	**(7,144)%**	**(8,558)%**

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.

(All amounts in USD thousand, unless otherwise stated)

30. 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 2018 and 2017, the Group did not have financial assets carried at fair value.

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

Financial liabilities carried at amortised cost. Carrying amounts of trade and other payables, financial lease liabilities, promissory notes issued and loans approximate their fair values as at 31 December 2018 and 2017.

The Group's loans and borrowings obtained by Ukrainian and Cypriot subsidiaries are carried at amortised cost. Different interest rates for such loans and borrowings are defined by market conditions based on country and currency risks by independent banks and borrowers. Loan obtained from related party with fixed interest rate has the equal interest rate as non-related banks with flexible interest rates obtained by Cypriot subsidiary (in range from 1.1% up to 3.4% and based on official LIBOR and EURIBOR rates). Loans obtained by Ukrainian subsidiaries have close range of fixed interest rates from 8 up to 11%. Management made an assessment of fair value of bank and other borrowings as at 31 December 2018 and 2017. Fair value of Group's bank and other borrowings amounted USD 46,553 thousand (carrying amount is USD 47,110 thousand) as at 31 December 2017. Fair value of the Group's bank and other borrowings as at 31 December 2018 amounted to USD 43,534 thousand. Carrying amount as at 31 December 2018 amounted USD 44,176 thousand.

31. Contingencies and commitments

Legal suits against the Group. As of 31 December 2018 and 2017, the Group had no litigations that could result in material outflow of economic benefits except those relating to its borrowings, which are disclosed below.

Loans and borrowings. As of 31 December 2018, the Group had loans payable (including interests) with overdue payments in amount of USD 9,999 thousand (2017: USD 8,201 thousand). In case the banks (other than mentioned below) sue the Group, penalties could be charged, but as at 31 December 2018 and 2017 the Group deems the probability of such to be remote. The Group is currenty finalising restructuring terms in regard to this loan.

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 of USD 3,861 thousand as at 31 December 2017 (2016: USD 3,594 thousand). The amount of the initial claim was USD 3,602 thousand. On 19 January 2018, bank agreed to cede the liabilities to a third party.

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. On 2 March 2018, the bank agreed to cede its right to claim the assets pledged to a third party.

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:

	2018	2017
Within one year	831	897
From one to five years	2,285	2,755
More than five years	531	959
Total	**3,647**	**4,611**

As at 31 December 2018, total area of land leased by the Group was 27 thousand hectares (2017: 30.7 thousand hectares).

The total rental payment for leased plough-land for the year ended 31 December 2018 amounted to USD 652 thousand (2017: USD 784 thousand). These costs were recorded within expenses capitalised during the year into biological assets of crops (Note 10).

(All amounts in USD thousand, unless otherwise stated)

32. Events after the Reporting Period

In October 2018, the Group has signed a settlement and release agreement with US EXIM bank in relation to its loan in the total amount, including interest, of USD 3,393 thousand as of September 2018 whereby the Group would pay USD 1,119 thousand through December 2018 and January 2019 to settle the debt in full. At the date these financial statements are being issued, the Group is renegotiating terms of this agreement as it failed to pay the remaining amount by the end of January 2019. The Group has repaid a total of USD 700 thousand and the remaining balance is USD 419 thousand.

In accordance with the agreement signed by the Group in regards to its loan from Big Dutchman Pig Equipment, the Group's debt under the loan agreement was restructured. Restructuring implied a reduction of the loan amount to EUR 1,030 thousand, which was repaid in full by July 2019. The Group has also disposed of its shares in Goncharovo Agricultural LLC. Fair value of consideration received for the shares was set off against the remainder of the restructured loan amount.

Effect of disposal was as follows:

Property, plant and equipment	314
Current biological assets	381
Inventories and agricultural produce	572
Trade and other accounts receivable	264
Trade and other accounts payable	(442)
Net assets disposed	**1,089**
Effective ownership ratio, %	100%
Group's share in net assets disposed	1,089
Fair value of consideration received (i)	404
Loss on disposal of subsidiaries	**(685)**
Net cash disposed with the subsidiary	-
Cash consideration received (i)	-
Net cash flow on disposal	**-**

In the period of March through May of 2019, the Group received several tranches of financing from TASCOMBANK in the total amount of USD 1,299 thousand.

In July 2019, the Group has finalised restructuring terms for an overdue loan from LBBW in the total amount as at 31 December 2018, including interest, of USD 9.9 million. As a result, the Group's debt under the loan was reduced to EUR 3.2 million. At the date these financial statements are being issued, the remaining balance is USD 3.3 million.

There were no other material subsequent events.