KSG Agro

ANNUAL REPORT

2019

CHAIRMAN'S STATEMENT

Dear Investors and Partners,

The Board of Directors of KSG Agro is pleased to present its annual report together with the audited consolidated financial statements for the year ended 31 December 2019.

I am proud to report that the Group has, once again, been able to stand the test of hard times in the country. We have continued the progress on improving our business and have every reason to believe they will keep streamlining further. The Group is very grateful to all our partners, who have given us a helping hand in such a turbulent time.

The goals that we achieved in 2019 were debt restructuring and production reorganization: building a closed cycle and vertical integration. Thanks to this, at the end of 2019, the company has positive equity. This is what allowed us to create the company's sustainability and the basis for future growth in production and sales.

We are striving to bring down our operational costs and ensure company stability in turbulent times. The Group stays loyal to its strategy of focusing on crop production and pig breeding, and we continue developing these areas of business.

The unanticipated COVID-19 epidemic did not affect the business of the Group. We conduct the necessary quarantine activities. Prices for our products increased by more than 20%.

We have already begun to implement the project for the construction of a breed reproducer, which will be close to our feeding complex. We consider it a very important achievement in the current situation. This offers us a complete production cycle, providing independence from external factors and circumstances.

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 years will continue in 2020 to support our constant development.

Chairman of the Board,
Sergiy Kasianov

KSG Agro S.A.

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CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE YEAR ENDED 31 DECEMBER 2019

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PRINCIPAL ACTIVITIES

KSG Agro S.A., separately referred to as "KSG Agro" or the "Company" and together with its subsidiaries referred to as the "Group", remains among the largest vertically integrated agricultural groups in the Dnipropetrovsk region of Ukraine, present in all major sectors of the agricultural market, including production, storage, processing and sale of agricultural products. Its key operating activities are breeding of pigs, processing of pork and production of wheat and sunflower.

STRATEGY IMPLEMENTATION

Below are the highlights of how the Group has implemented its development strategy in 2019:

Strategy	Implementation
Focus on farming & pigs breeding and increase its efficiency	Total revenue from pigs breeding and meat processing for 2019 was USD 11.2 million. Total revenues from breeding of livestock and meat processing for 2018 were USD 11.9 million, of which USD 0.2 million related to sales of cows. By the end of 2018, the Group has disposed of its remaining cattle and focused solely on breeding of pigs In 2018, the Group began reconstruction of infrastructure facilities adjacent to the pig complex and plans to commission a new sow house at the pig farm to increase pig production by 20%. In particular, construction works for the sewage pumping station had started and continued into 2019, and a new manure separation station was commissioned in July 2019
Searching for new contractors and signing agreements for sale of crops using USD prices	The total area of agricultural land controlled by the Group as at 31 December 2019 was 21 thousand hectares, of which 8 thousand hectares were under winter crops Total revenue from crop production for 2019 was USD 8.7 million, down from a total of USD 11.0 million for 2018. Most revenue from crops in 2019 was generated from USD 5.5 million of sales of sunflower, USD 1.6 million of sales of wheat, USD 0.5 million of sales of rapeseed, USD 0.5 million of sales of barley and USD 0.4 million of sales of corn In 2019, the Group harvested 14.5 thousand tonnes of wheat, 13.0 thousand tonnes of sunflower, 5.4 thousand tonnes of corn, 4.0 thousand tonnes of barley and 1.1 thousand tonnes of rapeseed Due to the persistent strengthening of Ukrainian Hryvnia ("UAH") against the US Dollar ("USD"), the Group expects to be less vulnerable to currency risks as agreements for sale of crops will still be negotiated in UAH prices. As at 31 December 2019, the exchange rate was UAH 23.68 per USD 1, down from UAH 27.68 per USD 1 as at 31 December 2018
Reduction of current debt and the extension of credit period	The Group has finalised restructuring of its major loans and borrowings In October 2018, the Group has restructured its loan from US EXIM bank in the total amount, including interest, of USD 3.4 million whereby the Group would pay USD 1.1 million. At the date these financial statements are being issued, the remaining balance was repaid in full In February 2019, the Group has restructured its debt under the loan from Big Dutchman Pig Equipment. By July 2019, the debt was repaid in full In July 2019, the Group has finalised restructuring terms for an overdue loan from LBBW in the total amount, including interest, of EUR 9.7 million. As a result, the Group's debt under the loan was reduced to EUR 3.2 million The Group's obligations under bank and other loans are down from USD 44.3 million as at 31 December 2018 to USD 28.6 million as at 31 December 2019. Current portion of bank and other loans is down from USD 23.8 million as at 31 December 2018 to USD 11.8 million as at 31 December 2019 In the period of January through March of 2020, TASCOMBANK helped refinance the Group's loans from Credit Dnipro Bank and Pivdennyi Bank in the total amount of USD 3.9 million which were maturing in 2020, thereby further reducing the Group's current debt

IMPACT OF THE CORONAVIRUS COVID-19

The Board of Directors of the Company does not currently provide for the significant adverse effects of the coronavirus COVID-19 epidemic on the Group's financial results in 2020.

The Group is resistant to fluctuations in exchange rates because, at the moment, settlements in foreign currency do not constitute a significant share in the total cost structure. During 2019, the Group restructured most of its debt in foreign currency, while freeing up reserves in the amount of more than USD 10 million. In addition, in order to minimise external risks, starting in 2014, the Group implemented the program to build a vertically integrated structure, a closed production cycle and reduce production costs. The Group focuses on pork production and its main market is the domestic market of Ukraine, where over the past month there has been an increase in both price and demand for pork. In addition, problems in international trade have led to blocking of the competitive products import. All this leads to an increase in the Group's sales and profit margins.

Despite this, the Board of Directors provides regular monitoring of the situation related to the consequences of the spread of the coronavirus COVID-19 and the impact of the epidemic on the Group's activities. Caring for the health and safety of employees, the Group took a number of measures to prevent the spread of COVID-19 at the Group's offices. Screening for staff temperature and disinfection activities are being carried out. Also, business trips and relocation of employees were reduced to the required minimum.

The Group will continue to provide information on adverse effects, if any, of the impact of COVID-19 on its activities through notices on the Warsaw Stock Exchange and on its website.

FINANCIAL AND OPERATIONAL RESULTS

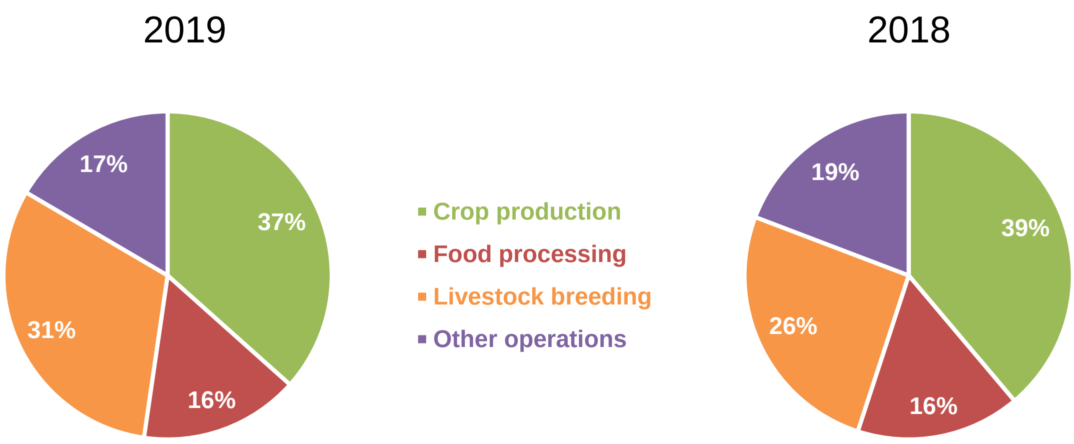
The following table sets forth the Group's results of operations for the years ended 31 December 2019 and 2018 derived from the unaudited consolidated financial statements:

In thousands of US dollars	**31 December 2019 (unaudited)**	**31 December 2018**	**Change, %**
Revenue	23,889	28,332	(16)%
Net change in fair value of biological assets and agricultural produce	5,652	5,537	2%
Cost of sales	(27,084)	(31,153)	(13)%
Gross profit	**2,457**	**2,716**	**(10)%**
Government grant received	3	13	(77)%
Selling, general and administrative expenses	(1,724)	(1,470)	17%
Other operating income	7,157	336	2,030%
Operating profit	**7,893**	**1,595**	**395%**
Finance income	12,785	2,479	416%
Finance expenses	(3,215)	(1,719)	87%
Foreign currency exchange gain/(loss), net	3,110	356	774%
Gain/(loss) on disposal of subsidiaries	(3,710)	78	(4,856)%
Impairment gain/(loss) on financial receivables	(4,268)	106	(4,126)%
Other expenses	(6,354)	(2,408)	164%
Profit before tax	**6,241**	**487**	**1,182%**
Income tax (expense)/benefit	(15)	(11)	36%
Profit for the year	**6,226**	**476**	**1,208%**
Operating profit	**7,893**	**1,595**	**395%**
Depreciation of property, plant and equipment	1,217	1,263	(4)%
Amortisation of right-of-use assets	469	-	100%
EBITDA	**9,579**	**2,858**	**235%**

Revenue

The Group's revenue from sales decreased year-on-year by 16%, primarily in the crop production segment.

The following chart sets forth the Group's revenue by segment in per cent for 2019 and 2018:



Largest segment – crop production – comprises production and sales of wheat, barley, rapeseed, sunflower, corn and other minor crops. Information about main crops harvested in 2019 and 2018 is as follows:

Crops harvested, thousands of tonnes	**2019**	**2018**
Wheat	14.5	18.8
Sunflower	13.0	23.5
Corn	5.4	1.0
Barley	4.0	3.1
Rapeseed	1.1	5.8
Total	**38.0**	**52.2**

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

	2019	**2018**	**Change,%**
Sunflower			
Sales, USD million	5.5	5.7	(4)%
Sales, thousand tonnes	19	19	-
Average price, USD/tonne	291	304	(4)%
Wheat			
Sales, USD million	1.6	2.6	(38)%
Sales, thousand tonnes	11	16	(31)%
Average price, USD/tonne	147	163	(10)%

The pigs 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:

	2019	**2018**	**Change,%**
Pigs and piglets			
Total Sales, USD million	11.2	11.7	(4)%
Total Sales, thousand tonnes	9.4	10.7	(12)%
Total Average price, USD/kg	1.19	1.09	9%

Net change in fair value of biological assets and agricultural produce

Net change in fair value of biological assets and agricultural produce increased by 2% from USD 5.5 million in 2018 to 5.6 million in 2019. Details by components are as follows:

	2019	2018
Crops in the field	147	(3,279)
Agricultural produce	(693)	6,758
Sows	6,665	(433)
Pigs and piglets	(467)	2,491
Net change in fair value of biological assets and agricultural produce	**5,652**	**5,537**

Cost of sales

The Group's cost of sales decreased by 13% to USD 27.0 million for the year ended 31 December 2019 from USD 31.1 million for the year ended 31 December 2018 while revenue decreased by 16%.

Main components driving the relative increase towards revenue were costs of feeds and raw materials. Refer to Note 20 to the consolidated financial statements for overall composition of cost of sales during the years ended 31 December 2019 and 2018.

Cost of crops sold decreased to USD 7.8 million from USD 13.6 million and cost of livestock sold increased to 11.8 million from 7.7 million. Refer to Note 11 to the consolidated financial statements for composition of costs incurred separately on crops and livestock during the years ended 31 December 2019 and 2018.

Gross profit

The Group's gross profit decreased by 10% from USD 2.7 million for the year ended 31 December 2018 to USD 2.4 million for the year ended 31 December 2019.

Cash flows

The following table sets out a summary of the Group's cash flows for the years ended 31 December 2019 and 2018:

in USD thousands	2019	2018
Net cash flow from operating activities	1,460	24
Net cash flow from investing activities	(608)	(85)
Net cash flow from financing activities	(872)	(429)
Net cash flow for the year	**(20)**	**(490)**

SUBSEQUENT EVENTS

Material subsequent events are described in Note 34 to the unaudited consolidated financial statements.

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 at 31 December 2019, the Group had 8 counterparties (2018: 8 counterparties) with aggregate receivable balances above USD 150 thousand each. The total amount of these balances as at 31 December 2019 was USD 3,410 thousand (2018: USD 6,014 thousand) or 47% (2018: 62%) of financial accounts receivable.

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 at 31 December 2019, if interest rate had been 5% higher with all other variables held constant, profit for the year then ended would have been USD 836 thousand lower (2018: USD 1,712 thousand), respectively if interest rate had been 5% lower then profit for the year 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 29 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 2019 was 0.49 (2018: 0.46). 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 29 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-equity ratio as at 31 December 2019 was 2.16 (2018: -7.14). For details refer to Note 30 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 Group's business in the current circumstances.

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

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 of three members and is in charge of overseeing financial reporting and disclosure.

Internal Control

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.

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 2019 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.

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 2019. 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.

We believe that the information provided within this non-financial statement is material for the purposes of this statement. Without proper care and respect for our employees we would not have achieved the results presented in the financial statements. Being an agricultural company, without proper care for the environment there would be no crops to harvest, without proper care and respect for the local communities we would not have access to the land which is owned by these communities as well as the workforce to help cultivate the lands, gather the crops, breed the pigs and process the meat.

Latest developments. The fight against the coronavirus

The Group created the headquarters for countering coronavirus in the pig breeding complex in the village of Niva Trudova, Dnipropetrovsk region of Ukraine.

Its functions include providing practical assistance for the prevention of coronavirus infection to employees of the pig complex, their families, all villagers during the quarantine period, as well as providing information and psychological support.

In connection with the COVID-2019 pandemic and the quarantine declared in Ukraine at the pig farm, which is part of strategically important food enterprises, additional measures are being taken to prevent and combat coronavirus. In particular, special attention is paid to the de-concentration of employees at production sites.

All personnel of the pig complex are provided with protective masks, without which transportation and passage through the sanitary inspection room are impossible.

Employees with clinical signs of infection (fever, cough, malaise, etc.) are not allowed to work. Every day, before the start of the working day, a clinical examination of the staff is carried out.

All measures to counteract coronavirus are coordinated by the operational headquarters. Also, the headquarters have included employees and veterans of the pig complex. In addition, a hotline has been organized and operates at headquarters. Call center staff will provide the necessary advice.

Thanks to the operational headquarters, all employees of the pig complex and their families are provided with the necessary amount of personal protective equipment, including masks, disinfectants and laundry soap.
At the entrance to the village there is a patrol of the public organization “Varta” and police officers, who control people arriving in Niva Trudova. For all entering, without exception, screening (measurement) of body temperature is carried out, explanations and recommendations are given, and printed materials on quarantine measures are distributed. In addition, more than a thousand food packages containing essential goods (oil, pasta, cereals, tea, sugar, etc.) were formed and transferred to the village residents. Those kits also include personal protective equipment.

Considering that during the pandemic period there is a shortage of preventive drugs – masks, costumes, antiseptic agents, tests, etc – primarily to protect doctors, the Group acquired and sent to the regional checkpoint in the village of Lyashkivka 30 protective suits, 300 masks and 5 liters of antiseptic fluid concentrate.

The Board recognises that it is the doctors who need priority help in the fight against the invisible enemy, the coronavirus, because they are at the forefront of battling with COVID-19. It is clear, that under conditions of panic, low financing of medicine and hype around preventive measures, doctors are at risk and are left alone face to face with the coronavirus. The Group sent several batches of preventive drugs, and in the future, we will do our best to help doctors so that they can effectively diagnose and treat our people.

For reference, the village of Lyashkivka was determined as the regional checkpoint at the entrance to the Dnipropetrovsk region during the quarantine period; this checkpoint meets residents of the Dnipropetrovsk region who arrive from abroad. It is here that the doctors of the regional center provide an examination, establish a diagnosis and determine the next steps for the examined. In recent days, hundreds of labor migrants returning from Poland and other European countries have been examined at this checkpoint.

<u>General</u>

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.

<u>Areas of focus</u>

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

<u>Employees</u>

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 Group and other local news. On the Group'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.

<u>Support for local communities</u>

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 2019, the Group also helped with the reconstruction of the assembly hall in the school in Niva Trudova.

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 Trituzne village (with a capacity of 500 kW), Nadiivka 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 Trudova 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, 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 entities 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 2019.

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 operations and main business functions are largely centralised, access to the pig breeding farm and the meat processing plant is restricted due to the nature of those production processes, so in terms of managing the risks of bribery or anti-corruption incidents, the Board mostly focuses on relations with the Group's customers and suppliers.

Main instruments employed to mitigate such risks are payment authorisation and new customer and supplier checks. And in order to identify potential threats, the internal audit monitors contract prices for both sales of produce and purchases of main supplies (fertilizers, plant protection products, fuel), as well as subsequent collection of receivables.

Diversity policy

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.

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.

Management and Board diversity

Representation of top and middle management by age and gender in 2019 was as follows:

	Total top and middle management staff		**Attended professional development programs or other training events in 2019**	
Age group	**Men**	**Women**	**Men**	**Women**
Less than 40	8	1	3	1
41 to 50	5	5	1	3
51 to 60	8	7	3	5
Over 60	3	-	2	-
Total	**24**	**13**	**9**	**9**

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 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.

Due diligence process

The Board regularly, and at least annually, reviews the staff policy, the diversity policy, and actively monitors the outcomes of the programs coordinated by the Future charitable fund and other similar programs to ensure that equality, diversity, support and fair treatment are continually promoted in the workplace.

This management report as of 31 December 2019 and for the year then ended was approved for issue on 28 April 2020.

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

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

The following statement is made with a view to clarify responsibilities of management and Board of Directors in relation to the unaudited 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 unaudited consolidated financial statements of the Group as of 31 December 2019 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 2019, 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 2019 and for the year then ended were approved for issue on 28 April 2020.

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

In thousands of US dollars	**Note**	**31 December 2019 (unaudited)**	**31 December 2018**
ASSETS			
Non-current assets			
Property, plant and equipment	9	19,559	17,976
Long-term biological assets	11	33,194	22,168
Deferred expense		-	372
Deferred tax assets	26	236	236
Right-of-use assets	33	1,298	-
Total non-current assets		**54,287**	**40,752**
Current assets			
Current biological assets	11	6,066	6,219
Inventories and agricultural produce	10	8,420	5,846
Trade and other accounts receivable	13	7,455	9,824
Taxes recoverable and prepaid	14	296	289
Cash and cash equivalents	12	249	229
Total current assets		**22,486**	**22,407**
TOTAL ASSETS		**76,773**	**63,159**
EQUITY			
Share capital	15	150	150
Share premium	15	37,366	37,366
Treasury shares	15	(112)	(112)
Retained earnings		(35,801)	(40,274)
Currency translation reserve		(3,877)	(10,659)
Equity attributable to the owners of the Company		**(2,274)**	**(13,529)**
Non-controlling interests		**15,696**	**7,167**
TOTAL EQUITY		**13,422**	**(6,362)**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	16	16,793	20,467
Lease liabilities	33	2,004	-
Total non-current liabilities		**18,797**	**20,467**
Current liabilities			
Loans and borrowings	16	11,857	23,877
Trade and other accounts payable	17	31,308	23,502
Lease liabilities	33	738	-
Promissory notes issued	18	556	1,339
Taxes payable		95	336
Total current liabilities		**44,554**	**49,054**
TOTAL LIABILITIES		**63,351**	**69,521**
TOTAL LIABILITIES AND EQUITY		**76,773**	**63,159**

Approved for issue and signed on behalf of the Board of Directors on 28 April 2020.

A.V. Skorokhod
(Chief Executive Officer)

L.L. Omelchenko
(Chief Financial Officer)

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

In thousands of US dollars	**Note**	**2019 (unaudited)**	**2018**
Revenue	19	23,889	28,332
Net change in fair value of biological assets and agricultural produce	11	5,652	5,537
Cost of sales	20	(27,084)	(31,153)
Gross profit		**2,457**	**2,716**
Government grants received	14	3	13
Selling, general and administrative expenses	21	(1,724)	(1,470)
Other operating income	22	7,157	336
Operating profit		**7,893**	**1,595**
Finance income	24	12,785	2,479
Finance expenses	24	(3,215)	(1,719)
Foreign currency exchange gain/(loss), net	25	3,110	356
Gain/(loss) on disposal of subsidiaries	7	(3,710)	78
Impairment gain/(loss) on financial receivables	23	(4,268)	106
Other expenses	23	(6,354)	(2,408)
Profit before tax		**6,241**	**487**
Income tax (expense)/benefit	26	(15)	(11)
Profit for the year		**6,226**	**476**
Profit attributable to:			
Owners of the Company		4,473	309
Non-controlling interest		1,753	167
Profit for the year		**6,226**	**476**
Earnings per share			
Weighted-average number of common shares outstanding	15	15,020,000	15,020,000
Basic earnings per share, USD	15	0.30	0.02
Diluted earnings per share, USD	15	0.30	0.02

Approved for issue and signed on behalf of the Board of Directors on 28 April 2020.

A.V. Skorokhod
(Chief Executive Officer)

L.L. Omelchenko
(Chief Financial Officer)

KSG Agro S.A.
Unaudited Consolidated Statement of Other Comprehensive Income
for the year ended 31 December 2019

In thousands of US dollars	2019 (unaudited)	2018
Profit for the year	**6,226**	**476**
Other comprehensive income/(loss), net of income tax		
Currency translation differences	1,942	735
Total comprehensive income/(loss) for the year	**8,168**	**1,211**
Total comprehensive income/(loss) attributable to:		
Owners of the Company	4,680	637
Non-controlling interests	3,488	574
Total comprehensive income/(loss) for the year	**8,168**	**1,211**

Approved for issue and signed on behalf of the Board of Directors on 28 April 2020.

A.V. Skorokhod
(Chief Executive Officer)

L.L. Omelchenko
(Chief Financial Officer)

In thousands of US dollars	**Note**	**2019 (unaudited)**	**2018**
Cash flow from operating activities			
Profit before tax		**6,241**	**487**
Adjustments for:			
Depreciation and amortisation	9	1,686	1,263
Net change in fair value of biological assets and agricultural produce	11	(5,652)	(5,537)
Impairment and write-off of inventory	23	542	530
Impairment and write-off of VAT and accounts receivable	23	10,141	450
Write-off of accounts payable	22	(7,143)	(163)
Provision for litigation	23	-	1,220
Finance income	24	(12,785)	(2,479)
Finance expenses	24	3,215	1,719
Exchange differences	25	(4,593)	(356)
(Gain)/loss on disposal of subsidiaries	7	3,710	(78)
Operating cash flow before working capital changes		**(4,638)**	**(2,944)**
Change in trade and other accounts receivable		(7,079)	(3,892)
Change in biological assets		(9,200)	7,409
Change in inventories and agricultural produce		6,410	(4,830)
Change in taxes receivable and payable		258	(309)
Change in trade and other accounts payable		16,866	5,281
Cash generated from operations		**2,617**	**715**
Interest paid on loans and leases	16, 33	(1,142)	(657)
Income tax paid		(15)	(34)
Cash generated from / (used in) operating activities		**1,460**	**24**
Cash flow from investment activities			
Acquisition and disposal of property, plant and equipment		(594)	(220)
Interest received		7	140
Disposal of subsidiaries, net of cash disposed		(21)	(5)
Cash generated from / (used in) investment activities		**(608)**	**(85)**

In thousands of US dollars	**Note**	**2019 (unaudited)**	**2018**
Cash flow from financing activities			
Deposits received		-	534
Proceeds from bank and other loans	16	1,299	150
Repayment of bank and other loans	16	(1,941)	(1,064)
Repayment of leases	33	(230)	(49)
Cash generated from / (used in) financing activities		**(872)**	**(429)**
Net (decrease) / increase in cash and cash equivalents		**(20)**	**(490)**
Cash and cash equivalents at the beginning of the year	**12**	229	760
Effect of exchange rate differences on cash and cash equivalents		40	(41)
Cash and cash equivalents at the end of the year	**12**	**249**	**229**

Approved for issue and signed on behalf of the Board of Directors on 28 April 2020.

A.V. Skorokhod
(Chief Executive Officer)

L.L. Omelchenko
(Chief Financial Officer)

KSG Agro S.A.

Unaudited Consolidated Statement of Changes in Equity

for the year ended 31 December 2019

		Attributable to owners of the Company						Non-controlling interest	Total equity
In thousands of US dollars	**Note**	**Share capital**	**Share premium**	**Treasury shares**	**Currency translation reserve**	**Retained earnings**	**Total attributable to owners of the Company**		
Balance as at 1 January 2018		**150**	**37,366**	**(112)**	**(10,987)**	**(39,082)**	**(12,665)**	**7,078**	**(5,587)**
Adjustment on initial application of IFRS 9		-	-	-	-	(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)**
Profit for the year		-	-	-	-	4,473	4,473	1,753	6,226
Other comprehensive income/(loss)		-	-	-	207	-	207	1,735	1,942
Total comprehensive income/(loss) for the year		-	-	-	**207**	**4,473**	**4,680**	**3,488**	**8,168**
Disposal of subsidiaries	7	-	-	-	6,575	-	6,575	5,041	11,616
Balance as at 31 December 2019 (unaudited)		**150**	**37,366**	**(112)**	**(3,877)**	**(35,801)**	**(2,274)**	**15,696**	**13,422**

Approved for issue and signed on behalf of the Board of Directors on 28 April 2020.

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. Corporate Information

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

Number of employees of the Group as at 31 December 2019 was 348 employees (2018: 565 employees).

2. Group Structure

The Company's immediate parent is OLBIS Investments LTD SA, registered in Panama, and the ultimate controlling party is Mr. Sergiy Kasianov. OLBIS Investments LTD S.A. holds 64.62% of the issued share capital of the Company, 0.21% of shares are treasury shares and the remaining 35.17% of shares are listed on the Warsaw Stock Exchange.

Principal activities of the entities forming the Group and the Company's effective ownership interest in these entities as at 31 December 2019 and 2018 were as follows:

			Effective ownership ratio, %	
Entity	**Principal activity**	**Country of registration**	**31 December 2019 (unaudited)**	**31 December 2018**
KSG Agro S.A.	Holding company	Luxembourg		
KSG Agricultural and Industrial Holding LTD	Subholding company	Cyprus	100%	100%
KSG Agro Polska	Dormant	Poland	100%	100%
KSG Energy Group LTD	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 (Note 5)	Agricultural production	Ukraine	-	100%
Agro-Trade House Dniprovsky LLC	Agricultural production	Ukraine	100%	100%
Trade House Rantye	Trade of agricultural products	Ukraine	100%	100%
KSG Trade House LTD	Dormant	Ukraine	100%	100%
Askoninteks LLC	Dormant	Ukraine	100%	100%
Trade House of the Ukrainian Agroindustrial Holding LLC	Agricultural production	Ukraine	100%	100%
KSG Dnipro LLC	Agricultural production	Ukraine	100%	100%
Agro Golden LLC	Agricultural production	Ukraine	100%	100%
Agro LLC	Lessor of equipment, liquidation	Ukraine	100%	100%
SPE Promvok LLC	Agricultural production	Ukraine	100%	100%
Hlebna Liga LLC	Trade of agricultural products	Ukraine	100%	100%
Agrofirm Vesna LLC	Agricultural production	Ukraine	100%	100%
Rantye LLC	Agricultural production	Ukraine	50%	50%
Strong-Invest LLC (Note 5)	Agricultural production	Ukraine	50%	50%
Agrotrade LLC (Note 5)	Agricultural production	Ukraine	-	50%
Factor D LLC (Note 5)	Dormant	Ukraine	-	50%
PrJSC Pererobnyk (Note 5)	Dormant	Ukraine	-	25%
Pererobnyk PE LLC	Dormant	Ukraine	25%	25%

(All amounts in USD thousand, unless otherwise stated)

			Effective ownership ratio, %	
Operating entity	**Principal activity**	**Country of registration**	**31 December 2019**	**31 December 2018**
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	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%

Entities marked with * are located in Crimea. The Group has no operating control over them from October 2014, so deconsolidation of these entities 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.

3. Operating Environment and Going Concern

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. In 2018, consumer price inflation slowed down to its 5-year low of 9.8%, from 13.7% in 2017.

The National Bank of Ukraine ("NBU") continued 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.

Consumer inflation in 2019 reached the target of 5%, slowing in December to 4.1% yoy (the lowest since April 2014). In monthy terms, the CPI decreased by 0.2% in December, in what appears to be the first recorded incidence of deflation by the NBU since 1991. The fall in inflation to its target in 2019 was mainly the outcome of the NBU's consistent monetary policy, which aims to deliver price stability, coupled with the government's prudent fiscal policy.

As at 31 December 2019, the official NBU exchange rate of Ukrainain Hryvnia against US Dollar was UAH 23.68 per USD 1, compared to UAH 27.68 per USD 1 as at 31 December 2018.

The relations between Ukraine and Russian Federation have remained strained.

Going concern assumption

In determining the appropriate basis for 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 weather conditions in areas of operation and the 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***

  - Total revenue from pigs breeding and meat processing for 2019 was USD 11.2 million. Total revenues from breeding of livestock and meat processing for 2018 were USD 11.9 million, of which USD 0.2 million related to sales of cows. By the end of 2018, the Group has disposed of its remaining cattle and focused solely on breeding of pigs.
  - In 2018, the Group began reconstruction of infrastructure facilities adjacent to the pig complex and plans to commission a new sow house at the pig farm to increase pig production by 20%. In particular, construction works for the sewage pumping station had started and continued into 2019, and a new manure separation station was commissioned in July 2019.

- ***Searching for new contractors and signing agreements for sale of crops using USD prices***

  - The total area of agricultural land controlled by the Group as at 31 December 2019 was 21 thousand hectares, of which 8 thousand hectares were under winter crops.
  - Total revenue from crop production for 2019 was USD 8.7 million, down from a total of USD 11.0 million for 2018. Most revenue from crops in 2019 was generated from USD 5.5 million of sales of sunflower, USD 1.6 million of sales of wheat, USD 0.5 million of sales of rapeseed, USD 0.5 million of sales of barley and USD 0.4 million of sales of corn.
  - In 2019, the Group harvested 14.5 thousand tonnes of wheat, 13.0 thousand tonnes of sunflower, 5.4 thousand tonnes of corn, 4.0 thousand tonnes of barley and 1.1 thousand tonnes of rapeseed.
  - Due to the persistent strengthening of Ukrainian Hryvnia ("UAH") against the US Dollar ("USD"), the Group expects to be less vulnerable to currency risks as agreements for sale of crops will still be negotiated in UAH prices. As at 31 December 2019, the exchange rate was UAH 23.68 per USD 1, down from UAH 27.68 per USD 1 as at 31 December 2018.

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

  - The Group has finalised restructuring of its major loans and borrowings.
  - In October 2018, the Group has restructured its loan from US EXIM bank in the total amount, including interest, of USD 3.4 million whereby the Group would pay USD 1.1 million. At the date these financial statements are being issued, the remaining balance was repaid in full.
  - In February 2019, the Group has restructured its debt under the loan from Big Dutchman Pig Equipment. By July 2019, the debt was repaid in full.
  - In July 2019, the Group has finalised restructuring terms for an overdue loan from LBBW in the total amount, including interest, of EUR 9.7 million. As a result, the Group's debt under the loan was reduced to EUR 3.2 million.
  - The Group's obligations under bank and other loans are down from USD 44.3 million as at 31 December 2018 to USD 28.6 million as at 31 December 2019. Current portion of bank and other loans is down from USD 23.8 million as at 31 December 2018 to USD 11.8 million as at 31 December 2019.
  - In the period of January through March of 2020, TASCOMBANK helped refinance the Group's loans from Credit Dnipro Bank and Pivdennyi Bank in the total amount of USD 3.9 million which were maturing in 2020, thereby further reducing the Group's current debt.

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 2019 and for the year then ended on a going concern basis. Had the Group not been 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.

4. Adoption of New or Revised Standards and Interpretations

Adoption of IFRS 16 – Leases

IFRS 16 is effective for periods beginning on or after 1 January 2019 and 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.

The group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions of the Standard. The reclassifications arising from the new leasing rules are therefore recognised in the opening balance sheet as at 1 January 2019. The nature and effect of these changes are disclosed in Note 33.

Accounting policy for leases was also updated to reflect the requirements of the new standard.

Adoption of Other Standards and Interpretations

In addition to IFRS 16, the Group has adopted the following amendments to IFRS Standards and Interpretations that are effective for annual periods beginning on or after 1 January 2019:

- Amendments to IFRS 9: Prepayment Features with Negative Compensation;
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures;
- Amendments to IAS 19: Employee Benefits Plan Amendment, Curtailment or Settlement;
- IFRIC 23 – Uncertainty over Income Tax Treatments;
- Annual Improvements to IFRS Standards 2015-2017 Cycle: Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs.

The adoption of the above Standards and Interpretations has not had any material effect on the disclosures or on the amounts reported in these consolidated financial statements.

The following standards and interpretations are effective for annual periods beginning on or after 1 January 2020 and earlier application is permitted; however, the Group has not early-adopted them:

- IFRS 17 – Insurance Contracts;
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IFRS 3: Definition of a business;
- Amendments to IAS 1 and IAS 8: Definition of material;
- Conceptual Framework: Amendments to References to the Conceptual Framework in IFRS Standards.

Management believes that adoption of these Standards and Interpretations in future periods would not have a material effect on the disclosures or on the amounts reported in the consolidated financial statements.

5. 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.

These consolidated financial statements are presented in thousands of US Dollars ("USD"), unless otherwise stated.

Consolidated financial statements

Group recognises control over the subsidiary when the following 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.

Leases. At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
    - the Group has the right to operate the asset; or
    - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(i) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

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

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Under IAS 17

In the comparative period, as a lessee the Group classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease. If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other operating income'.

The accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16.

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 entities 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. In Ukraine, entities engaged in the production, processing and sale of agricultural products may opt to pay a special Fixed Agricultural Tax ("FAT"), as defined in the 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 FAT 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 2019 and 2018, four Ukrainian subsidiaries of the Group elected to pay FAT. The rest of the Group's entities are subject to regular Corporate Income Tax in their respective jurisdictions.

Value added tax. In Ukraine, Value Added Tax ("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 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.

(All amounts in USD thousand, unless otherwise stated)

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 the Pension Fund of Ukraine, paid annual leave and sick leave, bonuses are accrued in the period in which the associated services are rendered by the employees of the Group.

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

- assets and liabilities as at each reporting date are translated at respective closing rates as at each of those dates;
- income and expenses for each period 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 2019	Average for the year ended 31 December 2019	As at 31 December 2018	Average for the year ended 31 December 2018
USD/UAH	23.6862	25.8373	27.6883	27.2016
EUR/UAH	26.4220	28.9406	31.7141	32.1341

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.

6. 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. The assessment is made for each individual batch of goods based on its date of delivery.

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

Subsidiaries. The Group consolidates Parisifia Ltd (Cyprus), KSG Energy Group Ltd (Cyprus) and Abbondanza S.A. (Switzerland) although it only holds 50% of the voting rights in these subsidiaries, because it has the power to govern their financial and operating policies through arrangements with the other 50% shareholder. The Group also consolidates the results of Pererobnyk LLC, an entity 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 entity 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 subsidiaries.

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.

(All amounts in USD thousand, unless otherwise stated)

7. 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.

Effect of this disposal for the year ended 31 December 2018 was as follows:

	Meat Plant Dnipro LLC
Inventories and agricultural produce	786
Cash and cash equivalents	5
Taxes recoverable and prepaid	11
Trade and other accounts receivable	8
Trade and other accounts payable	(888)
Fair value of 100% of net assets	**(78)**
Loss on disposal of subsidiary	**78**
Cash consideration received	-
Net cash disposed with the subsidiary	(5)
Cash outflow on disposal	**(5)**

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

In March 2019, the Group has 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 from Big Dutchman Pig Equipment (Note 16).

In April 2019, the Group has disposed of its shares in Agrotrade LLC, Factor D LLC, and Pererobnyk PrJSC for a nominal consideration.

Effect of disposals for the year ended 31 December 2019 (unaudited) was as follows:

	Goncharovo ALLC	**Agrotrade LLC**	**Factor D LLC**	**Pererobnyk PrJSC**	**TOTAL**
Effective ownership ratio, %	100%	50%	50%	25%	
Property, plant and equipment	314	-	533	-	847
Deferred tax assets	-	-	140	-	140
Current biological assets	381	-	-	-	381
Inventories and agricultural produce	572	6	-	-	578
Trade and other accounts receivable	264	424	355	252	1,295
Loans and borrowings – current	-	-	(3,513)	-	(3,513)
Deferred tax liabilities	-	-	(96)	-	(96)
Trade and other accounts payable	(442)	(246)	(2,954)	(2,806)	(6,448)
Taxes payable	-	-	(469)	(642)	(1,111)
Cash and cash equivalents	-	6	2	13	21
Net assets disposed	**1,089**	**190**	**(6,002)**	**(3,183)**	**(7,906)**
Currency translation reserve realised	770	88	12,287	(1,529)	11,616
Cash consideration received	-	-	-	-	-
Gain/(loss) on disposal of subsidiaries	**1,859**	**278**	**6,285**	**(4,712)**	**3,710**
Group's share in:					
- net assets disposed	1,089	95	(3,001)	(796)	(2,613)
- currency translation reserve realised	770	44	6,143	(382)	6,575
Non-controlling interests share in:					
- net assets disposed	-	95	(3,001)	(2,387)	(5,293)
- currency translation reserve realised	-	44	6,144	(1,147)	5,041
Gain/(loss) on disposal of subsidiaries	**1,859**	**278**	**6,285**	**(4,712)**	**3,710**
Cash consideration received	-	-	-	-	-
Net cash disposed with the subsidiary	-	(6)	(2)	(13)	(21)
Net cash flow on disposal	**-**	**(6)**	**(2)**	**(13)**	**(21)**

(All amounts in USD thousand, unless otherwise stated)

8. Material Non-controlling Interests in Subsidiaries

Material non-controlling interests for the years ended 31 December 2019 and 2018 were presented by interests in Parisifia LTD Group and PrJSC Pererobnyk. Non-controlling interests in Abbondanza SA, KSG Energy Group LTD, Parisifia LTD and Pererobnyk PE LLC are deemed immaterial.

Parisifia LTD Group comprises Agrotrade LLC, Factor D LLC, Rantye LLC, Agroplaza LLC, Stepove LLC, Dzherelo LLC, Kolosyste LLC, Strong-Invest LLC. Agrotrade LLC, Factor D LLC as well as PrJSC Pererobnyk were disposed in 2019.

The summarised financial information of these subsidiaries as at and for the years ended 31 December 2019 and 2018, 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 2019 (unaudited)						
Parisifia LTD Group	50%	50%	1,791	2,110	15,422	-
PrJSC Pererobnyk	-	-	-	(345)	-	-
Total			**1,791**	**1,765**	**15,422**	**-**
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**	**-**

	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Net assets
As at 31 December 2019 (unaudited)					
Parisifia LTD Group	12,570	50,695	(32,395)	(26)	30,844
PrJSC Pererobnyk	-	-	-	-	-
Total	**12,570**	**50,695**	**(32,395)**	**(26)**	**30,844**
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**

	Revenue	Profit or loss	Total comprehensive income/(loss)
For the year ended 31 December 2019 (unaudited)			
Parisifia LTD Group	7,584	3,582	7,801
PrJSC Pererobnyk	-	-	(460)
Total	**7,584**	**3,582**	**7,341**
For the year ended 31 December 2018			
Parisifia LTD Group	13,254	334	1,194
PrJSC Pererobnyk	-	-	(46)
Total	**13,254**	**334**	**1,148**

(All amounts in USD thousand, unless otherwise stated)

9. Property, Plant and Equipment

Movement of property, plant and equipment for the year ended 31 December 2019 and 2018 was as follows:

	Buildings	**Agricultural equipment**	**Vehicles and office equipment**	**Construction in progress**	**Total**
At 1 January 2018					
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 1 January 2018	**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**
Additions	-	-	35	1,007	1,042
Disposals	(265)	(109)	(56)	(18)	(448)
Disposal of subsidiaries	(211)	(379)	(257)	-	(847)
Transfers	3,936	1,204	(3,535)	(1,605)	-
Depreciation charge	(913)	(255)	(49)	-	(1,217)
Exchange difference, cost	(705)	(2,313)	(952)	404	(3,566)
Exchange difference, depreciation	2,612	2,698	1,309	-	6,619
Carrying amount as at 31 December 2019	**14,296**	**3,039**	**283**	**1,941**	**19,559**
At 31 December 2019 (unaudited)					
Cost	18,436	5,517	681	1,941	26,575
Accumulated depreciation	(4,140)	(2,478)	(398)	-	(7,016)
Carrying amount as at 31 December 2019	**14,296**	**3,039**	**283**	**1,941**	**19,559**

No borrowing costs were capitalised during 2018 and 2019.

Included in agricultural equipment are assets held under finance leases with a carrying value of USD 200 thousand (2018: USD 301 thousand). The leased assets are used as collateral under these lease agreements.

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 2019 and 2018.

The Group did not have any contingent liabilities for acquisition of property, plant and equipment as at 31 December 2019 and 2018.

(All amounts in USD thousand, unless otherwise stated)

10. Inventories and Agricultural Produce

	31 December 2019 (unaudited)	31 December 2018
Agricultural produce	1,839	3,225
Work in progress	2,070	1,640
Semi-finished products	1,091	12
Agricultural stock	1,791	223
Raw materials	574	317
Goods for resale	513	59
Finished products	120	142
Fuel	266	52
Other	156	176
Total inventories and agricultural produce	**8,420**	**5,846**

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 and corn used in future sales or in the Group's operational activity.

Inventories as at 31 December 2019 were written down to net realisable value for a total amount of USD 807 thousand (2018: USD 779 thousand).

11. Biological Assets

	31 December 2019 (unaudited)		31 December 2018	
Non-current biological assets (livestock)	**Units**	**Amount**	**Units**	**Amount**
Sows	4,777	33,191	5,044	22,163
Boars	32	3	38	5
Total non-current biological assets		**33,194**		**22,168**

	31 December 2019 (unaudited)		31 December 2018	
Current biological assets (livestock)	**Units**	**Amount**	**Units**	**Amount**
Pigs and piglets	38,420	1,822	47,426	2,211
Current biological assets (crops)	**Hectares**	**Amount**	**Hectares**	**Amount**
Wheat	4,948	2,640	8,296	2,223
Barley	1,176	711	2,309	566
Rapeseed	2,038	678	2,490	1,056
Sunflower	59	27	59	24
Other	36	188	36	139
Total current biological assets		**6,066**		**6,219**
Total biological assets		**39,260**		**28,387**

The total area of agricultural land used by the Group in 2019 was 21 thousand hectares, including 8 thousand hectares under winter crops.

In early 2018, the Group sold the remainder of its cattle and focused solely on breeding pigs.

Most of the sows are Danish breed sows purchased in order to produce piglets of given breed, some of which are then raised as replacement sows to maintain the quality of the herd.

For details on biological assets pledged to secure bank loans refer to Note 16.

(All amounts in USD thousand, unless otherwise stated)

The following table represents the changes during the years in the carrying amounts of biological assets:

	Crops	Livestock	Total
Carrying amount as at 01 January 2018	**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**
Purchases	-	-	-
Investments into future crops and livestock	8,930	13,656	22,586
Sales	-	(13,386)	(13,386)
Gain/(loss) arising from changes in fair value attributable to physical changes and changes in market prices	(546)	6,198	5,652
Harvested during the period	(8,389)	(493)	(8,882)
Disposals of subsidiaries	(381)	-	(381)
Exchange differences	622	4,662	5,284
Carrying amount as at 31 December 2019 (unaudited)	**4,244**	**35,016**	**39,260**

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 (i)	957	-	957
Staff costs	276	353	629
Depreciation of property, plant and equipment	315	1,651	1,966
Other (ii)	3,165	399	3,564
Total costs incurred during 2018	**9,566**	**11,492**	**21,058**

Costs incurred during the year ended 31 December 2019 on crops in the field and livestock were as follows:

	Crops	Livestock	Total
Raw materials	6,841	11,678	18,519
Amortisation of land lease rights (i)	469	-	469
Staff costs	254	336	590
Depreciation of property, plant and equipment	153	879	1,032
Other (ii)	1,213	763	1,976
Total costs incurred during 2019 (unaudited)	**8,930**	**13,656**	**22,586**

(i) Due to the adoption of IFRS 16, the new standard on leases, the Group has changed its accounting treatment for leases of land plots and, therefore, includes ‘amortisation of land lease rights’ in place of ‘land lease expenses’ as part of cost of crops in the field starting from 1 January 2019 (Note 33).

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

(All amounts in USD thousand, unless otherwise stated)

Net change in fair value of biological assets and agricultural produce for the years ended 31 December 2019 and 2018 were as follows:

	2019 (unaudited)	2018
Crops in the field	147	(3,279)
Agricultural produce	(693)	6,758
Sows	6,665	(433)
Pigs and piglets	(467)	2,491
Net change in fair value of biological assets and agricultural produce	**5,652**	**5,537**

Unobservable inputs used to estimate fair value of biological assets and the respective valuation techniques applied as at 31 December 2019 are as follows:

Description	Fair value as at 31 December 2019 (unaudited)	Valuation technique	Unobservable inputs	Range of unobservable inputs
Crops in the field - Winter wheat	2,640	Discounted cash flows	Yield, tonnes per hectare Price, USD per tonne Discount rate	2.71 165 10.67%
Crops in the field - Winter barley	711	Discounted cash flows	Yield, tonnes per hectare Price, USD per tonne Discount rate	2.34 159 10.67%
Crops in the field - Winter rapeseed	678	Discounted cash flows	Yield, tonnes per hectare Price, USD per tonne Discount rate	1.69 384 10.67%
Sows	33,191	Discounted cash flows	Farrow, heads per year Price, USD per tonne Discount rate	112,543 1,567 – 1,924 10.58%
Pigs	1,822	Market Price	Price, USD per tonne	1,478

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

	Effect on fair value of biological assets
10 % increase in price for meat	15,052
10 % decrease in price for meat	(15,052)
10 % increase in prices for crops	113
10 % decrease in prices for crops	(113)
10 % increase in yield for crops	689
10 % decrease in yield for crops	(689)
10 % increase in production costs until harvest	3,742
10 % decrease in production costs until harvest	(3,742)
5 pp increase in discount rate	(10,182)
5 pp decrease in discount rate	32,787

Crops harvested during the years ended 31 December 2019 and 2018 in bunker weight are as follows:

	2019 (unaudited)	2018
Crop harvested	**in tonnes**	**in tonnes**
Wheat	14,536	18,839
Barley	3,953	3,136
Rapeseed	1,125	5,754
Sunflower	13,007	23,452
Corn	5,427	1,017
Total	**38,048**	**52,198**

(All amounts in USD thousand, unless otherwise stated)

12. Cash and Cash Equivalents

	31 December 2019 (unaudited)	31 December 2018
Cash in bank	249	229
Total cash and cash equivalents	**249**	**229**

Cash and cash equivalents were denominated in the following currencies:

	31 December 2019 (unaudited)	31 December 2018
UAH	176	147
EUR	15	54
USD	53	23
PLN	3	3
CHF	2	2
Total	**249**	**229**

13. Trade and Other Accounts Receivable

	31 December 2019 (unaudited)	31 December 2018
Trade accounts receivable	8,143	8,250
Less: provision for trade accounts receivable	(4,272)	(3,059)
Loans issued	5,459	4,308
Less: provision for loans issued	(2,338)	(1,456)
Other financial receivables	3,338	4,208
Less: provision for other financial receivables	(3,079)	(2,538)
Total financial accounts receivable (Note 29)	**7,251**	**9,713**
Advances issued	245	409
Less: provision for advances issued	(41)	(298)
Total trade and other accounts receivable	**7,455**	**9,824**

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

As at 31 December 2019 and 2018, most financial accounts receivable were denominated in UAH, for details refer to section Currency Risk of Note 29.

The fair value of each class of trade and other accounts receivable as at 31 December 2019 and 2018 approximates their carrying amount as at these dates.

No receivables were pledged to secure bank loans.

Movement in impairment for trade and other accounts receivable was as follows:

	Trade receivables	Loans issued	Other receivables	Advances issued
Impairment at 1 January 2018	**2,417**	**481**	**2,449**	**116**
Adjustment on initial application of IFRS 9	455	1,124	319	-
Impairment at 1 January 2018	**2,872**	**1,605**	**2,768**	**116**
Impairment for the year	222	(139)	(189)	205
Exchange differences	(35)	(10)	(41)	(23)
Impairment at 31 December 2018	**3,059**	**1,456**	**2,538**	**298**
Impairment for the year	638	583	103	(282)
Exchange differences	575	299	438	25
Impairment at 31 December 2019 (unaudited)	**4,272**	**2,338**	**3,079**	**41**

(All amounts in USD thousand, unless otherwise stated)

Analysis by credit quality of financial receivables is as follows:

	31 December 2019 (unaudited)			31 December 2018		
	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	2,344	2,082	259	2,406	266	928
- 91 to 180 days overdue	1,844	866	-	1,363	1,255	18
- 181 to 360 days overdue	296	832	237	423	397	411
- over 360 days overdue	3,659	1,679	2,842	4,058	2,390	2,851
Total overdue	**8,143**	**5,459**	**3,338**	**8,250**	**4,308**	**4,208**
Less: provision for impairment	(4,272)	(2,338)	(3,079)	(3,059)	(1,456)	(2,538)
Total trade and other receivables	**3,871**	**3,121**	**259**	**5,191**	**2,852**	**1,670**

Related parties are entities 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 (Note 27). Thus, management believes that all accounts receivable from related parties are recoverable in full amounts. Maximum exposure to credit risk at the reporting date is the fair value of each class of receivable. The Group does not hold any collateral as security for overdue receivables.

14. Taxes Recoverable and Prepaid, Government Grants Received

	31 December 2019 (unaudited)	**31 December 2018**
VAT recoverable	241	255
Other taxes receivable	55	34
Total taxes recoverable and prepaid	**296**	**289**

Ukrainian legislation provides for a number of different grants and tax benefits for entities involved in agricultural operations. Grants and similar privileges are established by the Parliament of Ukraine, as well as by the Ministry of Agrarian Policy of Ukraine, the Ministry of Finance of Ukraine, the State Committee on Water Industry, the customs authorities and local district administrations.

Government grants recognised by the Group as income during the years ended 31 December 2019 and 2018 were presented by VAT refunds amounting to USD 3 thousand and USD 13 thousand, respectively.

15. Share Capital, Share Premium and Treasury Shares

As of 31 December 2019 and 2018, 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**	**Share capital**	**Share premium**	**Treasury shares**	**Total**
At 1 January 2018	**15,020,000**	**150**	**37,366**	**(112)**	**37,404**
Changes during the year	**-**	**-**	**-**	**-**	**-**
At 31 December 2018	**15,020,000**	**150**	**37,366**	**(112)**	**37,404**
Changes during the year	**-**	**-**	**-**	**-**	**-**
At 31 December 2019 (unaudited)	**15,020,000**	**150**	**37,366**	**(112)**	**37,404**

Earnings per share calculation

Basic earnings per share were calculated through dividing profit for the year attributable to owners of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings per share were calculated through dividing profit for the year attributable to owners of the Company (after adjustments to interest on convertible preference shares), by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares to be issued in case of 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 2019 (unaudited)**	**31 December 2018**
Profit for the year attributable to owners of the Company – basic	4,473	309
Gain/(loss) from discontinued operations	-	-
Interest on convertible preference shares	-	-
Profit for the year attributable to owners of the Company – diluted	4,473	309
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	**0.30**	**0.02**
Diluted earnings per share, USD	**0.30**	**0.02**

16. Loans and Borrowings

	31 December 2019 (unaudited)	**31 December 2018**
Non-current		
Finance leases of agricultural equipment (Note 33)	-	98
Bank and other loans	16,793	20,369
Total non-current loans and borrowings	**16,793**	**20,467**
Current		
Finance leases of agricultural equipment (Note 33)	-	70
Bank and other loans	11,857	23,807
Total current loans and borrowings	**11,857**	**23,877**

(All amounts in USD thousand, unless otherwise stated)

As at 31 December 2019 and 2018, the Group's loans and borrowings were denominated in the following currencies:

	31 December 2019 (unaudited)	**31 December 2018**
Borrowings denominated in:		
- USD	22,269	26,949
- UAH	-	168
- EUR	6,381	17,227
Total loans and borrowings (Note 29)	**28,650**	**44,344**

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

	31 December 2019 (unaudited)	**31 December 2018**
Bank loans	12,382	24,235
Loan from related party	10,363	10,363
Interest payable	5,905	6,065
Accrued provision	-	3,513
Finance leases of agricultural equipment	-	168
Total loans and borrowings	**28,650**	**44,344**

Loan from related party, Olbis Investments SA, with principal as at 31 December 2019 and 2018 of USD 10,363 thousand and interest as at 31 December 2019 of USD 3,864 thousand (2018: USD 3,553 thousand) will be payable in 2026 based on the transfer agreement from ICD Investments SA to Olbis Investments SA signed in November 2016.

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 2018 and 2019 there were no changes in the amount of the loan due to the absence of changes in the conditions of this liability. In December 2019, the Group has disposed of its stake in Factor D LLC, who was the debtor under the loan (Note 7).

Movement in bank and other loans during the period related to:

	2019 (unaudited)	**2018**
Carrying amount as at 1 January	**44,176**	**47,110**
Loan received	1,299	150
Loan repaid	(1,941)	(1,064)
Loan set-off	(404)	-
Interest accrued	2,578	1,514
Interest paid	(643)	(657)
Loan write-off	(12,566)	(2,338)
Disposal of subsidiaries	(3,513)	-
Exchange differences	(336)	(539)
Carrying amount as at 31 December	**28,650**	**44,176**

In January 2018, a third party has purchased the Group's overdue debts under several loans from Credit Agricole Bank. The total amount of debt oustanding as at 31 December 2018 was USD 3,920 thousand. In November 2019, the Group negotiated a partial write-off of USD 1,970 thousand. Remaining balance at 31 December 2019 is USD 1,950 thousand.

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; whereby the Group would pay USD 1,119 thousand to settle the debt. As at 31 December 2019, the remaining balance is USD 369 thousand. At the date these financial statements are being issued, the remaining balance was repaid in full.

As at 31 December 2018, the Group had overdue loans with Big Dutchman Pig Equipment with principal of USD 4,535 thousand and interest of USD 1,013 thousand. 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 restructured. Restructuring implied a reduction of the loan amount to EUR 1.03 million, which was fully repaid by July 2019. As part of the restructuring agreement, the Group has 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 (Note 7).

(All amounts in USD thousand, unless otherwise stated)

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. In July 2019, the Group has finalised restructuring terms for the overdue loan. As a result, the Group's debt under the loan was reduced to EUR 3.2 million and was to be repaid by September 2019. The Group has failed to settle the loan by September and, according to restructuring terms, LBBW has accrued additional interest of EUR 1.35 million. As at 31 December 2019, the total outstanding amount under the loan is USD 4,745 thousand.

Successful restructuring of the Group's major overdue loans has allowed the Group to secure new financing from TASCOMBANK in the total amount of USD 1,299 thousand in the period of March through May of 2019.

In the period of January through March of 2020, TASCOMBANK increased its credit line to the Group up to USD 11.9 million. The funds were used by the Group to fully refinance loans from Credit Dnipro Bank and Pivdennyi Bank in the total amount of USD 3.9 million which were maturing in 2020 (Note 34).

As at 31 December 2019 and 2018, maturity of the Group's loans and borrowings was as follows:

	31 December 2019 (unaudited)	31 December 2018
Loans and borrowings due:		
- within one year	11,857	23,879
- within two to five years	2,566	4,885
- after five years	14,227	15,580
Total loans and borrowings	**28,650**	**44,344**

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.

Fair value considerations for the Group's loans and borrowings are presented in Note 31.

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

	31 December 2019 (unaudited)	31 December 2018
Property, plant and equipment	1,651	554
Biological assets	-	276
Total carrying amount of collateral	**1,651**	**830**

As at 31 December 2019, a related party pledged real estate of contractual value of USD 12,560 thousand as collateral for liabilities of the Group in the amount of USD 6,525 thousand (2018: contractual value of USD 10,744 thousand for respective liabilities of the Group in the amount of USD 5,999 thousand).

17. Trade and Other Accounts Payable

	31 December 2019 (unaudited)	31 December 2018
Trade accounts payable	19,325	12,253
Financial assistance received	1,495	4,677
Land lease payables (Note 33)	-	798
Other financial payables	6,542	3,074
Total financial accounts payable (Note 29)	**27,362**	**20,802**
Prepayments received	2,841	1,255
Litigation reserve	1,001	1,386
Wages and salaries accrued	104	59
Total trade and other accounts payable	**31,308**	**23,502**

Trade 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)

18. Promissory Notes Issued

	31 December 2019 (unaudited)	31 December 2018
Short-term promissory notes issued	556	1,339
Total promissory notes issued	**556**	**1,339**

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

19. Revenue

	2019 (unaudited)	2018
Sale of agricultural produce and processed food	21,725	26,856
Rendering of services	2,164	1,476
Total revenue	**23,889**	**28,332**

20. Cost of Sales

	2019 (unaudited)	2018
Cost of agricultural produce and processed food	23,713	28,809
Cost of rendered services	3,371	2,344
Total cost of sales	**27,084**	**31,153**

Components of cost of sales were as follows:	2019	2018
Incurred costs	26,727	21,307
Revaluation effects	357	9,846
Total cost of sales	**27,084**	**31,153**

Cost of sales by nature of expenses was as follows:

	2019 (unaudited)	2018
Feeds	5,797	7,492
Raw materials	4,817	8,800
Fuel	2,788	1,728
Other services	2,130	1,918
Agricultural stock	1,873	854
Fertilizers	1,753	1,230
Goods for resale	3,321	3,442
Depreciation and amortisation	986	1,758
Payroll	554	769
Plant protection products	540	477
Seeds	416	285
Electricity	410	494
Land lease expenses	377	286
Veterinary medicine	346	563
Transport service	288	221
Taxes	235	60
Maintenance of equipment	221	145
Water consumption	160	197
Slaughter and processing service	45	86
Other raw materials	27	348
Total cost of sales	**27,084**	**31,153**

(All amounts in USD thousand, unless otherwise stated)

21. Selling, General and Administrative Expenses

	2019 (unaudited)	2018
Wages and salaries	236	325
Informational, expert and consulting services	207	168
Delivery costs	318	120
Storage costs	392	83
Depreciation and amortisation	167	96
Taxes, other than income tax	11	52
Bank services	68	32
Fuel and other materials	3	27
Office maintenance costs	42	-
Business trips	31	-
Other expenses	249	567
Total selling, general and administrative expenses	**1,724**	**1,470**

Total audit service fees provided to the Group for 2019 amount to USD 113 thousand (2018: USD 99 thousand).

22. Other Operating Income

For the years ended 31 December 2019 and 2018 other operating income of the Group was USD 7,157 thousand and USD 336 thousand, respectively. During 2019 the most significant element of other operating income was the writte-off of payables in the amount of USD 7,143 thousand. During 2018 the most significant element of other operating income was write-off of payables in the amount of USD 163 thousand.

23. Other Expenses and Impairment (Gain)/Loss on Financial Receivables

	2019 (unaudited)	2018
Impairment (gain)/loss on financial receivables	4,268	(106)
Impairment of advances issued and other receivables	4,926	205
Provision for litigation	-	1,220
Inventory write-down	542	530
VAT written off	575	351
Fines and penalties	311	102
Total other expenses	**10,622**	**2,302**

24. Finance Income and Expenses

	2019 (unaudited)	2018
Finance income		
Interest income	7	17
Other finance income	12,778	2,462
Total finance income	**12,785**	**2,479**
Finance expenses		
Interest expense on bank and other loans	(2,578)	(1,514)
Interest expense on leases (Note 33)	(499)	-
Other finance expenses	(138)	(205)
Total finance expenses	**(3,215)**	**(1,719)**

(All amounts in USD thousand, unless otherwise stated)

25. Foreign Currency Exchange Gain/(Loss), net

	2019 (unaudited)	2018
Foreign currency exchange gain	3,552	2,654
Foreign currency exchange loss	(442)	(2,298)
Net amount	**3,110**	**356**

26. 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 entities that are involved in agricultural production pay the special 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 2018 and 2019, 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 2019 and 2018 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:

	2019 (unaudited)	2018
Current tax expense	(15)	(11)
Deferred tax expense	-	-
Income tax expense	**(15)**	**(11)**

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

	2019 (unaudited)	2018
Profit before tax	**6,241**	**487**
- Profit/(loss) attributable to Ukrainian FAT payers	(1,061)	393
- Loss attributable to Ukrainian CIT payers	2,028	(2,304)
- Profit/(loss) attributable to other Group entities	5,274	2,398
Income tax expense / (benefit) related to Ukrainian CIT payers	365	598
Income tax expense / (benefit) related to other Group entities	-	-
• non-taxable income	-	-
• non-deductible expense	-	-
• change in unrecognised deferred tax asset	(380)	(609)
Income tax expense	**(15)**	**(11)**

Movement in deferred taxes for the year ended 31 December 2019 (unaudited) was as follows:

	1 January 2019	Disposal of subsidiaries	Translation difference	31 December 2019
Tax effect of deductible temporary differences				
Accounts receivable	328	(140)	48	236
Gross deferred tax asset	**328**	**(140)**	**48**	**236**
Tax effect of taxable temporary differences				
Property, plant and equipment	(92)	96	(4)	-
Gross deferred tax liability	**(92)**	**96**	**(4)**	**-**

(All amounts in USD thousand, unless otherwise stated)

Recognised deferred tax asset / (liability)	**236**	**(44)**	**44**	**236**

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

	1 January 2018	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**

27. Operating Segments

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

- *Crop production.* Crop production is focused on sunflower, wheat, barley, rapeseed and corn. 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 meat products such as sausages and meat delicacies for retail chains.

- *Pigs breeding.* A segment which deals with pigs breeding and sale of pigs and piglets in live and dead weight.

- *Other operations.* This operating segment includes the production of fuel pellets, thermal energy and rendering of services to third parties.

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.

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

	2019 (unaudited)	2018
Ukraine	22,205	24,761
Europe	1,684	3,571
Total revenue	**23,889**	**28,332**

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.

Other segments are not significantly exposed to seasonal fluctuations.

(All amounts in USD thousand, unless otherwise stated)

Information about operating segments for 2019 (unaudited) is as follows:

	Crop production	**Food processing**	**Pigs breeding**	**Other operations**	**Total**
Revenue, including:					
- sales of goods	8,744	3,751	7,440	1,790	21,725
- rendering of services	-	-	-	2,164	2,164
Revenue from external customers	**8,744**	**3,751**	**7,440**	**3,954**	**23,889**
Net change in fair value of biological assets and agricultural produce	(546)	-	6,198	-	5,652
Cost of sales	(7,861)	(3,431)	(11,848)	(3,944)	(27,084)
Segment profit/(loss)	**337**	**320**	**1,790**	**10**	**2,457**
Government grants received					3
Selling, general and administrative expenses					(1,724)
Other operating income					7,157
Operating profit					**7,893**
Finance income					12,785
Finance expenses					(3,215)
Foreign currency exchange gain/(loss), net					3,110
Other expenses					(14,332)
Profit before tax					**6,241**
Income tax benefit					(15)
Profit for the period					**6,226**
Other segment information:					
Depreciation of property, plant and equipment	263	2	834	118	**1,217**
Amortisation of right-of-use assets	469	-	-	-	**469**
Capital expenditure	671	1	300	70	**1,042**

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**
Net change in fair value of biological assets and agricultural produce	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 grants 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 expense					(11)
Profit for the period					**476**
Other segment information:					
Depreciation of property, plant and equipment	303	57	801	102	**1,263**

(All amounts in USD thousand, unless otherwise stated)

Capital expenditure	766	-	493	38	**1,297**

28. Related Parties

Significant related party balances outstanding as at 31 December were as follows:

	2019 (unaudited)		2018	
	Parent and owners	**Entities under common control**	**Parent and owners**	**Entities under common control**
Assets				
Trade and other accounts receivable	-	424	-	380
Loans issued	-	1,230	-	22
Other financial receivables	-	6	-	5
Advances issued	-	54	-	24
Liabilities				
Loan	10,363	-	10,363	-
Interest payable	3,864	-	3,553	-
Trade and other accounts payable	25	128	27	95
Financial assistance received	-	11	-	123
Other accounts payable	-	702	-	833
Prepayments received	-	90	-	-

Transactions with related parties were as follows:

	2019 (unaudited)		2018	
	Parent and owners	**Entities under common control**	**Parent and owners**	**Entities under common control**
Interest expense on loan	311	-	311	-

"Parent and owners" include the Company's immediate parent, Olbis Investments SA, and the ultimate controlling party, Mr. Sergiy Kasianov.

"Entities under common control" are other entities controlled by Olbis Investments SA and Mr. Sergiy Kasianov.

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

As at 31 December 2019, the ultimate controlling party and other related parties provided collateral for the Group's loan in the amounts of USD 5,655 thousand and USD 6,904 thousand, respectively (2018: USD 4,838 thousand and USD 5,906 thousand, respectively).

Transactions with key management personnel. Key management personnel are those individuals that have the authority and responsibility for planning, organising and controlling the activities of the Group, directly or indirectly, and include the Board of Directors.

Remuneration of key management personnel for 2019 comprised short-term benefits totalling USD 70 thousand (2018: USD 72 thousand).

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

(All amounts in USD thousand, unless otherwise stated)

29. Risk Management Policies

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

The Group's maximum exposure to credit risk by class of assets is reflected in the carrying amounts of financial assets in the consolidated statement of financial position and as summarised below:

	Note	2019 (unaudited)	2018
Financial assets			
Trade and other accounts receivable	13	7,251	9,713
Cash and cash equivalents	12	249	229
Total financial assets		**7,500**	**9,942**
Financial liabilities			
Loans and borrowings	16	28,650	44,344
Trade and other accounts payable	17	27,362	20,802
Promissory notes issued	18	556	1,339
Total financial liabilities		**56,568**	**66,485**

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 at 31 December 2019, the Group had 8 counterparties (2018: 8 counterparties) with aggregate receivable balances above USD 150 thousand each. The total amount of these balances as at 31 December 2019 was USD 3,410 thousand (2018: USD 6,014 thousand) or 47% (2018: 62%) of financial accounts receivable.

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 at 31 December 2019, if interest rate had been 5% higher with all other variables held constant, profit for the year then ended would have been USD 836 thousand lower (2018: USD 1,712 thousand), respectively if interest rate had been 5% lower then profit for the year 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 2019 (unaudited), 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						
Trade and other accounts receivable	2,798	120	-	-	4,333	7,251
Cash and cash equivalents	53	15	3	2	176	249
Total financial assets	**2,851**	**135**	**3**	**2**	**4,509**	**7,500**
Financial liabilities						
Trade and other accounts payable	5,452	651	5	190	21,064	27,362
Loans and borrowings	22,269	6,381	-	-	-	28,650
Promissory notes issued	-	366	158	-	32	556
Total financial liabilities	**27,721**	**7,398**	**163**	**190**	**21,096**	**56,568**
Total: net value	**(24,870)**	**(7,263)**	**(160)**	**(188)**	**(16,587)**	**(49,068)**

As of 31 December 2018, 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						
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)**

Due to this exposure, if the US dollar were to strengthen or weaken by 20% against the UAH, it would decrease or increase the Group's profit before tax by USD 4,974 thousand, respectively (31 December 2018: 20% and USD 5,933 thousand).

Due to this exposure, if the Euro were to strengthen or weaken by 20% against the UAH, it would decrease or increase the Group's profit before tax by USD 1,453 thousand, respectively (31 December 2018: 20% and USD 3,992 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 2019 was 0.49 (2018: 0.46). 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 presents the maturity analysis of financial liabilities. Amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amounts included in the consolidated statement of financial position, because the statement of financial position is based on discounted cash flows.

Remaining contractual maturity of financial liabilities as at 31 December 2019 (unaudited) is as follows:

	Within one year	Within two to five years	After five years	Total	Carrying amount
Loans and borrowings	11,857	2,566	14,227	28,650	28,650
Future interest on loans and borrowings	580	891	2,022	3,493	-
Lease liabilities	738	1,545	459	2,742	2,742
Future interest on lease liabilities	147	1,346	962	2,455	-
Trade and other payables	27,362	-	-	27,362	27,362
Promissory notes issued	556	-	-	556	556
Total	**41,240**	**6,348**	**17,670**	**65,258**	**59,310**

Remaining contractual maturity of financial liabilities as at 31 December 2018 is as follows:

	Within one year	Within two to five years	After five years	Total	Carrying amount
Loans and borrowings	23,807	4,789	15,580	44,176	44,176
Future interest on loans and borrowings	844	1,974	3,043	5,861	-
Lease liabilities	72	96	-	168	168
Future interest on lease liabilities	45	37	-	82	-
Trade and other payables	20,802	-	-	20,802	20,802
Promissory notes issued	1,339	-	-	1,339	1,339
Total	**46,909**	**6,896**	**18,623**	**72,428**	**66,485**

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

30. Capital Risk Management

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

	31 December 2019 (unaudited)	31 December 2018
Loans and borrowings	28,650	44,344
Promissory notes issued	556	1,339
Less: cash and cash equivalents	(249)	(229)
Net debt	28,957	45,454
Total equity	13,422	(6,362)
Debt to Equity ratio	**2.16**	**(7.14)**

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

31. Fair Value of Financial Instruments

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

Fair value estimation. As at 31 December 2019 and 2018, 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, leases and promissory notes issued approximate their fair values as at 31 December 2019 and 2018.

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 the fair value of bank and other loans as at 31 December 2019 and 2018. Fair value of the Group's bank and other loans as at 31 December 2019 amounted to USD 28,754 thousand (carrying amount: USD 28,650 thousand). Fair value of the Group's bank and other loans as at 31 December 2018 amounted to USD 43,534 thousand (carrying amount: USD 44,176 thousand).

32. Contingencies and Commitments

Legal suits against the Group. As of 31 December 2019 and 2018, the Group had no pending litigations that could result in material outflow of economic benefits.

33. Leases

The Group leases land plots, mostly from individuals, and agricultural equipment for producing crops. The Group does not own agricultural land. Ukrainian legislation provided for a ban on sales of agricultural land plots until 1 January 2020. There are significant uncertainties as to the subsequent extension of the ban. The current legislation has resulted in the Group leasing from individuals holding land lease rights, rather than owning the land itself.

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period. Accounting policy for leases was also updated to reflect the requirements of the new standard.

On adoption, the Group recognised lease liabilities in relation to leases of land plots, which had previously been classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 20%.

The right-of-use asset at 1 January 2019 was recognised at an amount equal to the lease liability (adjusted for land lease payables recognised under IAS 17). Therefore, there is no impact on equity at 1 January 2019.

The difference between land lease commitments disclosed as at 31 December 2018 and lease liability recognised as at 1 January 2019 arises from the effect of discounting lease payments and adjustments as a result of a different treatment of liabilities and advances for land leases.

Leases of agricultural equipment were classified as finance leases under IAS 17 and their accounting treatment remained largely unaffected by the adoption of IFRS 16.

(All amounts in USD thousand, unless otherwise stated)

Reconciliation of lease liabilities under IAS 17 to lease liabilities under IFRS 16 is as follows:

Finance leases of agricultural equipment – future minimum lease payments (non-current)	133
Finance leases of agricultural equipment – future minimum lease payments (current)	117
Finance leases of agricultural equipment – future interest expenses	(82)
Finance leases of agricultural equipment (Note 16)	**168**
Land lease payables (Note 17)	798
Land lease future commitments (unrecognised)	3,647
Lease liabilities at 31 December 2018 under IAS 17	**4,613**
Less: future interest expenses	(2,087)
Lease liabilities at 1 January 2019 under IFRS 16 (unaudited)	**2,526**

The Group reclassified 'land lease payables' and 'finance leases of agricultural equipment' as lease liabilities in the opening balance sheet at 1 January 2019. As at 31 December 2018, they were classified as part of 'trade and other accounts payable' and 'loans and borrowings', respectively.

Changes in lease liabilities for the year ended 31 December 2019 were as follows:

	2019 (unaudited)
Lease liabilities as at 1 January (transition date)	**2,526**
Recognition of lease liability	246
Interest accrued	499
Leases repaid	(230)
Interest paid	(499)
Write-off of lease liability	(216)
Exchange differences	416
Lease liabilities as at 31 December	**2,742**

Maturity of lease liabilities was as follows:

	31 December 2019 (unaudited)		**1 January 2019 (transition date)**	
	Future lease payments	**Present value**	**Future lease payments**	**Present value**
Within one year	885	738	960	800
Within two to five years	2,891	1,545	3,257	1,583
After five years	1,421	459	478	143
less: future interest expenses	(2,455)	-	(2,169)	-
Total lease liabilities	**2,742**	**2,742**	**2,526**	**2,526**

Changes in right-of-use assets under contracts for lease of agricultural land were as follows:

	2019 (unaudited)
Lease liabilities at 1 January 2019 (transition date)	**2,526**
Less: land lease payables at 31 December 2018 (Note 17)	(798)
Less: finance leases of agricultural equipment at 31 December 2018 (Note 16)	(168)
Cost at transition date	**1,560**
Accumulated amortisation and impairment losses	-
Right-of-use assets as at 1 January (transition date)	**1,560**
Recognition of lease liability	186
Write-off of lease liability	(216)
Amortisation charge	(469)
Exchange differences	237
Right-of-use assets as at 31 December	**1,298**
Cost	1,810
Accumulated amortisation and impairment losses	(512)
Right-of-use assets as at 31 December	**1,298**

Amortisation of right-of-use assets is included in the cost of crops in the field (Note 11).

34. Events After the Reporting Period

In the period of January through March of 2020, TASCOMBANK increased its credit line to the Group up to USD 11.9 million. The funds were used by the Group to fully refinance loans from Credit Dnipro Bank and Pivdennyi Bank in the total amount of USD 3.9 million which were maturing in 2020.

There were no other material subsequent events.