GRAIN
ALLIANCE

ANNUAL REPORT 2014

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Evgeniy Radovenyuk, CEO

WHO WE ARE

Grain Alliance is a highly efficient grains and oilseeds producer in Ukraine. The company controls 45,000 hectares in Ukraine; out of this area 43,400 is cultivated. Ukraine was once the "breadbasket of Europe" and is home to 25% of the world's black earth assets, the most fertile soils in the world.

Grain Alliance's overall business strategy is to generate sustainable returns by increasing productivity and efficiency in Ukrainian agriculture by utilizing best agricultural practices, modern equipment and strict financial control. The underlying macroeconomic driver for the business is the increasing demand for food, which is driven by global economic growth and the changing consumption patterns in the developing world towards a more protein rich diet.

THIS IS GRAIN ALLIANCE

OUR COMPANY

We are a progressive Swedish-Ukrainian agriculture producer. By using modern technology, financial management and efficient agricultural production methods we create sustainable value for shareholders and the communities where we operate. All our farmland is located in Ukraine, a country which once was the bread basket of Europe and has the potential to be the bread basket of the world. The combination of the most fertile soils in the world, a highly developed infrastructure and proximity to all major import markets makes Ukraine ideal for large-scale farming.

- Grain Alliance has experience from 16 years of successful large-scale farming in Ukraine, achieving production yields on par with Western peers.
- We control around 45 000 hectares, of which 43 400 hectares are cultivated, and we are continuously expanding our territory.
- All our fields are leased from small landowners.
- Our main crops are corn, sunflower and soybeans.

OUR LOCATIONS

The head office is located in Stockholm, but all operations take place in Ukraine. Berezan, 80 km east of the capital Kiev, is where the Ukrainian main office is located.

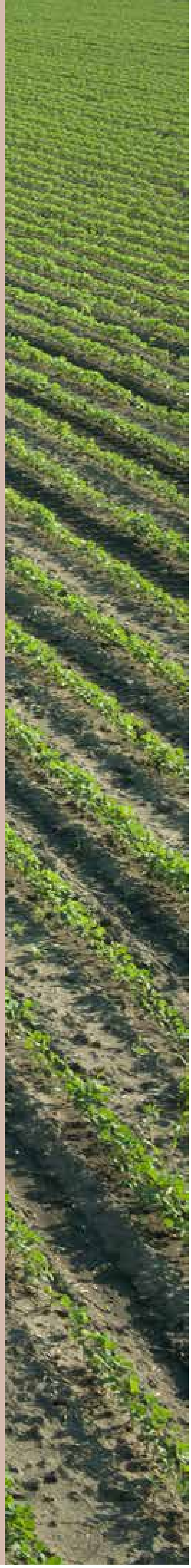
- We operate in 4 regions of Ukraine: Kiev, Chernigov, Poltava and Cherkassy.
- The radius between the farms in Kiev, Chernigov and Poltava is 80 km.
- We have 4 strategically placed grain elevators, 3 with on-site railroad.
- The climate in our regions is classified as a humid continental climate, excellent for growing crops, with annual precipitation between 550-630 mm.

OUR STRATEGY

As global demand for food increases, we see an opportunity to create long-term value for shareholders and local communities by improving and expanding our agricultural operations in Ukraine.

- Our production is targeted towards export markets in the Middle East, Africa and Asia.
- We are a low-cost producer with access to low-cost transport in the form of railroad and the black sea ports of Ukraine.
- We produce high quality, non-genetically modified soybeans for human consumption in the Asian markets.
- Storage is a central part of our activities, giving us the opportunity to sell our crops at any point in time without extra costs or loss of quality.
- Over the coming years, we aim to increase the cultivated area and expand our storage capacities accordingly.

FOR MORE INFORMATION, VISIT WWW.GRAINALLIANCE.COM



THE MOST FERTILE SOILS IN THE WORLD

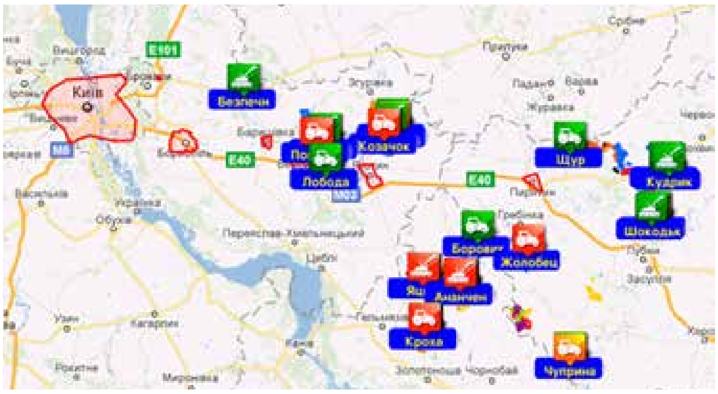
Ukraine has one of the world's richest soils – black earth or "chernozem." In fact 25 percent of global black earth assets are located in Ukraine. There is also an untapped potential in that out of Ukraine's total arable land of 32.7 million hectares, only 27 million are cultivated.

TARGET THE GROWING ASIAN DEMAND

Grain Alliance is cultivating, cleaning and sorting organic soybeans according to Japanese food standards. The market for high quality non-genetically modified soybean is growing fast on a global level, especially in Asian markets.

STATE OF THE ART INFORMATION SYSTEM

Grain Alliance has developed a unique agriculture resource planning system, Agrido, which covers all aspects of large-scale farming operations. Grain Alliance's unique, systematic approach ensures efficient use of resources and promotes sustainability. Since its introduction Grain Alliance has reduced fuel consumption by more than 20 percent.



MODERN EQUIPMENT

Quality grain storage is necessary to ensure that grains and oilseeds remain in good condition and provide the opportunity to sell at any time without additional expense. Grain Alliance is continuously expanding storage capacity and by the end of 2014 the company had storage capacity exceeding 200,000 tons. In addition, Grain Alliance has started exchanging gas as the heating source for grain dryers to renewable fuel sources.

BETTER YIELDS AND RETURNS

Grain Alliance's modern approach to large-scale farming has rendered high, sustainable and consistent yields for all our main crops well on par with Western peers. Despite a very turbulent business environment, the strong operational focus has generated solid returns.

INVESTING IN THE COMMUNITY

A strong social commitment is a pillar of our approach to investments and business. We strive to be responsible investors and focus not only on operational excellence but also on the communities where we operate. As a result of this Grain Alliance took the initiative to start the foundation "Village Development Fund," www.rozvitoksela.org, with the goal of improving the standard of living in the rural areas of Ukraine.

GLOBAL PRODUCTION AND DEMAND

The 2014 global harvest managed to exceed 2013 results and was the biggest in the history of mankind. After years of shrinking global stocks, the last two years have managed to produce crop volumes never seen before on the planet. Still, demand is growing as the global population grows and consumer patterns change. Despite record harvests, the ending stock grew by only 3.5 percent.

WEATHER PATTERNS

All farming depends on weather conditions. During 2014 the weather was mostly favorable, with normal levels of precipitation and temperature, except for one region. The early spring made it possible to start seeding almost two weeks earlier than normal, giving the crops extra time to form roots and grow.

COUNTRY RISKS

As an international company Grain Alliance is exposed to currency risks. In 2014, as a result of the political turmoil in Ukraine the national currency lost value in comparison to all major currencies. In the short-term perspective this resulted in currency losses, but in the long-term perspective Grain Alliance could benefit from this situation as revenues are tied to the dollar, but costs such as salaries and land leases are local.

GLOBAL PRICES

Two years in a row of record-breaking harvests have depressed the agricultural commodities market and prices remained at a low level for all of Grain Alliance's main crops. Global pricing of agricultural produce is an external factor affecting Grain Alliance's financial result.

SUMMARY OF 2014

- Largest harvest in history of humanity kept prices low.
- Revolution in Ukraine; in the unrest that followed, Russia annexed the Crimean peninsula and Russian-backed separatists initiated a military conflict in the Donbas area.
- Ukrainian currency fell sharply against the euro, dollar and Swedish crown, which created extra currency losses.
- Weather conditions were favorable for all Grain Alliance's regions except South Poltava.
- Early and fast seeding of all crops.
- Productivity increase in terms of yields for all major crops except soybean (corn +4%, wheat +10%, sunflower +8%).
- Late deliveries of Canadian soy varieties and drought in South Poltava resulted in late seeding and lower yields (-8%).
- Chernihiv region continues to grow and deliver good results.
- Cultivated area increased in all of Grain Alliance's areas.
- Storage capacity was increased in Yahotyn.
- First bio-mass thermal generator for drying of grain installed.
- Optimization of sale period continued from low season during harvest to potential higher prices during spring, which resulted in large outgoing stocks of corn and sunflower. A consequence of the increased stocks is a lower financial result due to the international accounting standard's principles of valuation.

FINANCIAL STATEMENTS IN BRIEF

SEK of Thousands	2014	2013
Revenue, including revaluation of biological assets	301 360	82 317
Gross profit	110 111	-28 911
EBITDA	110 837	-25 308
EBITDA margin	37%	neg.
Net profit	2 230	-77 352
Net margin	1%	neg.
Amortization of intangible assets	-	22 447
Depreciation, total	-16 990	-43 445
Total assets	362 701	452 758
Total equity	116 826	193 143
Currency effect on equity	-110 468	-31 921
Total liabilities	245 874	259 615
No. of shares	7 807 775	7 807 775
Profit per share	0,3	-9,9
Equity per share	15,0	24,7
Equity ratio	32%	43%
Cultivated area, ha	43 400	40 275
Revenue/ha	6 976	2 044
EBITDA/ha	2 566	-628

ROZVITOK SELA

Grain Alliance has taken to heart the goal of being a model corporate citizen and tries to help the people and communities where the company is active. For Grain Alliance the best way to give back to people in the villages is to provide support and act responsibly, in combination with the professionalism and dedication of the company's employees. As such, Grain Alliance took the initiative to start the foundation "Village Development Fund", or Rozvitok Sela, which is the Ukrainian name. The goal of the foundation is to improve the standard of living in rural areas of Ukraine. Throughout Grain Alliance's history, the company has striven to meet the changing needs of communities in Ukraine. By living and working in the villages where the company operates, employees are in touch with the needs and issues in their communities and small efforts can make large differences in a person's life.

Grain Alliance is committed to dedicating its business expertise and resources to help deliver innovative and sustainable solutions to address some of Ukraine's most pressing challenges and improve the welfare of people in the villages. The fund works in close contact with Grain Alliance but is a separate, independent entity run by people who are passionate about their country and the well-being of their fellow citizens. While we have seen some progress in Ukraine during recent years, the gap between rich and poor has widened and living conditions for people in the countryside have become worse. In this setting, we see a large potential for businesses to have a significant and sustainable social impact. We view our work as purposeful, respectful and ethical. We take responsibility for outcomes and embrace transparency and have the highest regard for local customs, traditions and priorities.

The Village Development Fund centers around four pillars:

- Sustainability – environmental and social
- Responsibility
- Education – access and improvement
- Social welfare – social support for the rural population

ACTIVITIES 2014

In 2014 Rozvitok Sela began cooperation with medical clinics in villages enabling them to perform tests for diabetes. In addition the fund supported vaccination programs. Apart from the broader efforts, Rozvitok Sela also engaged in targeted actions and bought medication for people who otherwise could not afford it.

The fund also supports village schools and during 2014 financed the renovation and improvement of school facilities. The fund also supported children in difficult family situations, for instance, kids in large families or with only one parent living. Also, as small village schools are closed, children are forced to travel greater distances to attend classes. Rozvitok Sela finances school buses, fuel and drivers to make it possible for young families to continue to live in villages and give their children a good education.

The rural population is becoming older as the younger generation abandons the traditional way of life for a life in the larger cities. Rozvitok Sela supports impoverished pensioners with food and clothes. A concrete example of how we help the aged is the rebuilding of an elderly woman's house that had been badly damaged by fire. Rozvitok Sela saved her from homelessness and destitution.

The fund also supports village communities with repairs of administrative buildings as well as repairs of street lighting, public restrooms, fences, gates, patching and roads. The fund also replaces monuments, installs solar-powered street lighting and supports local sports and athletics.

РОЗВИТОК
СЕЛА

A TURBULENT ENVIRONMENT

UKRAINIAN POLITICS IN 2014

2014 will go down in the history books as one of the most dramatic years in the history of independent Ukraine. It was a year of great changes, both positive and negative.

Peaceful demonstrations started in 2013 in reaction to the decision by the government of former President Viktor Yanukovych to refuse to sign the Association Agreement with the European Union. In February, despite several attempts to resolve the situation peacefully, Special Forces loyal to Mr. Yanukovych opened fire on protestors. The gunfire enflamed the protestors and later resulted in the overthrow of the government. Mr. Yanukovych fled to Moscow. Shortly afterwards Russia, in violation of international agreements and Ukraine's territorial integrity, annexed the Crimean peninsula. At the same time, the situation deteriorated in the eastern part of Ukraine, Donbas, where parts of the Russian-speaking population called for independence from Ukraine. Diplomacy and talks with the separatist movement failed and the situation escalated into a tragic military conflict. According to estimates by the United Nations, the number of casualties by the end of 2014 had reached 4,700, with more than 10,000 wounded.

In May 2014 new elections were held and Petro Poroshenko was elected president and a new reform oriented government was installed. Despite the escalating conflict in the Donbas, an ambitious reform agenda was presented and the Association Agreement with the EU was signed. Both the EU and US have expressed support for the new President and government in Ukraine.

UKRAINIAN ECONOMY 2014

As a result of the political turmoil and the military conflict, Ukrainian GDP decreased by 6.7% according to the National Bank of Ukraine, and inflation reached 24.9% (State Statistics Service of Ukraine). At the same time the national currency (hryvnia) lost about 50% of its value compared to the dollar. In the face of these dramatic changes, the agricultural sector was essentially the only sector of the Ukrainian economy which still showed growth and had positive development. According to the State Statistics Service, production growth in agriculture reached 2.8% (crop production grew by 3.1%).

In 2014, Ukraine harvested a record crop of grain and leguminous plants, despite the annexation of the Crimea and the inability to carry out normal agricultural activities in Donbas. Agriculture was the main source of foreign currency revenue in Ukraine in 2014; the export of agricultural products amounted to $16.7 billion. In April 2014, the EU introduced a regime of autonomous trade preferences, according to which Ukraine can supply certain agricultural products to the EU market with zero import duty within established quotas. This led to an increase of exports of agricultural products to the EU, which totaled approximately $5 billion (30% of the total export of agricultural goods).

According to estimates by the USDA for the agricultural year 2014/15, Ukraine maintained its position in the global market as the world's top producer and exporter of sunflower oil. Ukraine is also the world's third largest exporter of corn, fourth largest exporter of barley and is in sixth place when it comes to wheat exports.

BUSINESS CONCEPT AND STRATEGY

GLOBAL DEMAND GROWTH

As the world population grows, particularly in urban areas, and incomes increase, diets and consumption patterns change and the demand for food and agricultural products increases. The United Nations estimates that world population will reach 9 billion by 2050. The planet is facing a great challenge in securing food for its population at the same time as the threat from climate change looms. Investments in enhancing the productivity of agriculture are essential and investing in agriculture and food systems is one of the most effective strategies for reducing poverty, hunger and promoting sustainability. The prospects of a growing global population point to higher prices for agricultural commodities. In the context of this development, it is evident that an efficient and sustainable producer like Grain Alliance can create large values for shareholders and the communities where the company operates.

To respond to the increasing demand, there are two things that have to be done globally: 1) increase the total cultivated area; 2) increase efficiency in agriculture. The world has to farm more land and get more back from each cultivated hectare or as the United Nations puts it: "immense effort will have to go into new, better and more intensive ways of producing our food." Still, the global growth rate of production yields for major cereal crops has been declining steadily. The rate of growth in global cereal yields dropped from 3.2% per year in 1960 to 1.5% in 2000. The growth originating from the introduction of genetically modified crops has come to a halt because of massive protests against such types of seed varieties. When it comes to increasing cultivated area, it is hard for Europe and the US to expand. It is equally biologically difficult for these regions to increase yields substantially. Therefore, it is the developing world and emerging markets that have to produce more, but in order for these countries to become competitive they have to undertake major improvements to their infrastructure, roads, railroads and ports.

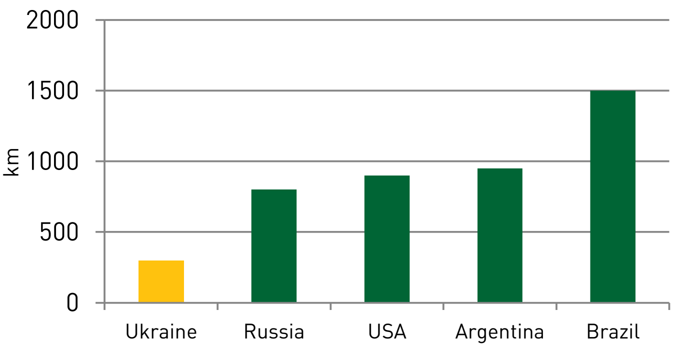
Ukraine's strategic position between Europe and Russia resulted in massive infrastructure investments from the Soviet Union. The country has a developed network of railways, 22,000 km of tracks, which are linked to Russia, Belarus, Moldova, Poland, Romania, Slovakia and Hungary; 18 seaports along the Black Sea and the Sea of Azov coastline; and 3 deepwater ports that can handle the largest panamax size ships. In addition to this, the country is blessed with 25% of the total global supply of some of the most fertile soils in the world, chernozem – black earth. The short distance, and the low transport costs, from the Black Sea ports to the major importers are small in comparison to the costs from the American continents. This combination gives Ukraine the potential to become one of the leading agricultural producers in the world - the breadbasket of the world.

GRAIN ALLIANCE

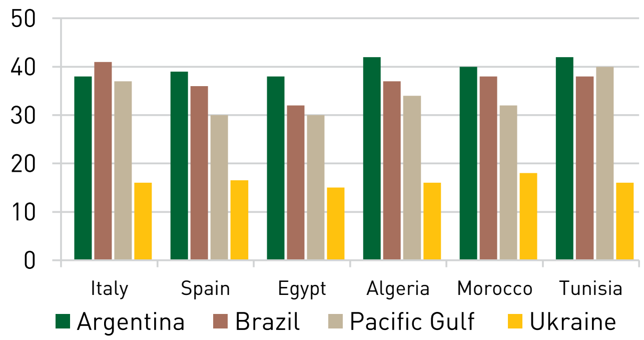
Grain Alliance's goal is to become the most efficient agricultural producer in the region. We focus on the efficiency and profitability of our operations, not the size of the cultivated area. All our lands are leased and we are not involved in any land speculation. Privately funded agriculture on a large scale is a relatively new phenomenon on the planet. Farming on a large scale is very different from a traditional family farm. Therefore, we have made great efforts to create our own structured approach to large-scale farming. The saying that 'all business is local' is true for all business, but even more so for agriculture. Grain Alliance relies on strong local Ukrainian management. Our agricultural approach is based on best practices and scientific measurements. The basic principle is, "If it works there, it will work here." Nevertheless, the size of operations demands strict financial and operational control, in which IT plays a crucial role. Sustainability and environmental concerns also play a central role for all of Grain Alliance's operations. In order to secure sustainable high yields and profits we need to take care of the environment, the soils, and the communities where we operate.

The combination of excellent soils, efficient modern farming, superior infrastructure and proximity to all major import markets is our key to success.

Average distance from port



Transportation cost port to port USD/TON



HOW INTERNATIONAL ACCOUNTING STANDARDS, IFRS, AFFECT GRAIN ALLIANCE

As an agricultural producer, Grain Alliance uses IAS 41 Agriculture. The main assets employed in all agricultural companies are biological assets, which are subject to growth, deterioration, production, and reproduction during the production cycles. Due to these unique features of biological assets, specific accounting and reporting treatment is provided under IFRS. Under IFRS, companies involved in management of the biological transformation of living animals or plants (biological assets) for sale, into agricultural produce, or into additional biological assets, are required to comply with IAS 41 Agriculture. According to this standard, the biological transformation is recognized as the asset grows. IAS 41 covers:

Biological assets - living animals or plants:

- Agricultural produce (the harvested product) at the point of harvest;
- Government grants directed to biological assets.

All these biological assets are recognized at fair value minus estimated costs of sale at each balance sheet date. The fair value should represent the market price for the biological asset based on current expectations. Such fair values of biological assets are based on the following assumptions:

- Expected crop yield, based on past crop yields and adjusted for current and predicted weather conditions;
- Crop prices are obtained from externally verifiable sources;
- Cultivation and production costs are projected based on actual historical cost;
- Discount rate used for 2014 was 27%, reflecting the cost of money in Ukraine as estimated by independent sources.

The gain or loss arising on initial recognition of a biological asset should then be incorporated into the company's income statement

PECULIARITIES OF IFRS ACCOUNTING FOR UKRAINIAN AGRICULTURE

IAS 41 states that agricultural produce should be valued and recorded in the balance sheet at market price at the time of harvest. Since Grain Alliance has a traditional crop rotation and grows standard crops, the harvest period coincides with the time when the rest of the northern hemisphere harvests crops, therefore supply is at its peak. This means that the price used to establish the value of goods in stock is the lowest of the year. As a result of using these very low prices, the value of goods in stock does not reflect the true market value of the goods.

In addition to this, there are certain Ukrainian regulations that distort the valuation of goods in stock. In Ukraine, agricultural producers are granted excess accumulated VAT as a subsidy. In simple terms, agricultural producers can keep the VAT on goods sold. The basis for VAT is established when goods are sold, so when a producer decides to store crops, no VAT is accumulated. This means that keeping goods in stock lowers the value of the goods by 20%, which is the VAT rate in Ukraine.

Since agriculture is highly cyclical and prices drop during the harvest, Grain Alliance once again made the decision to store crops produced from the 2014 harvest as long as possible and sell at higher prices. However, taking into account the abovementioned peculiarities of IFRS and Ukrainian regulations, the value of the goods in stock at the end of the financial year is significantly lower than the true market value, thus substantially lowering Grain Alliance's financial result and total assets.

REPORT ON OPERATIONS

ABOUT GRAIN ALLIANCE

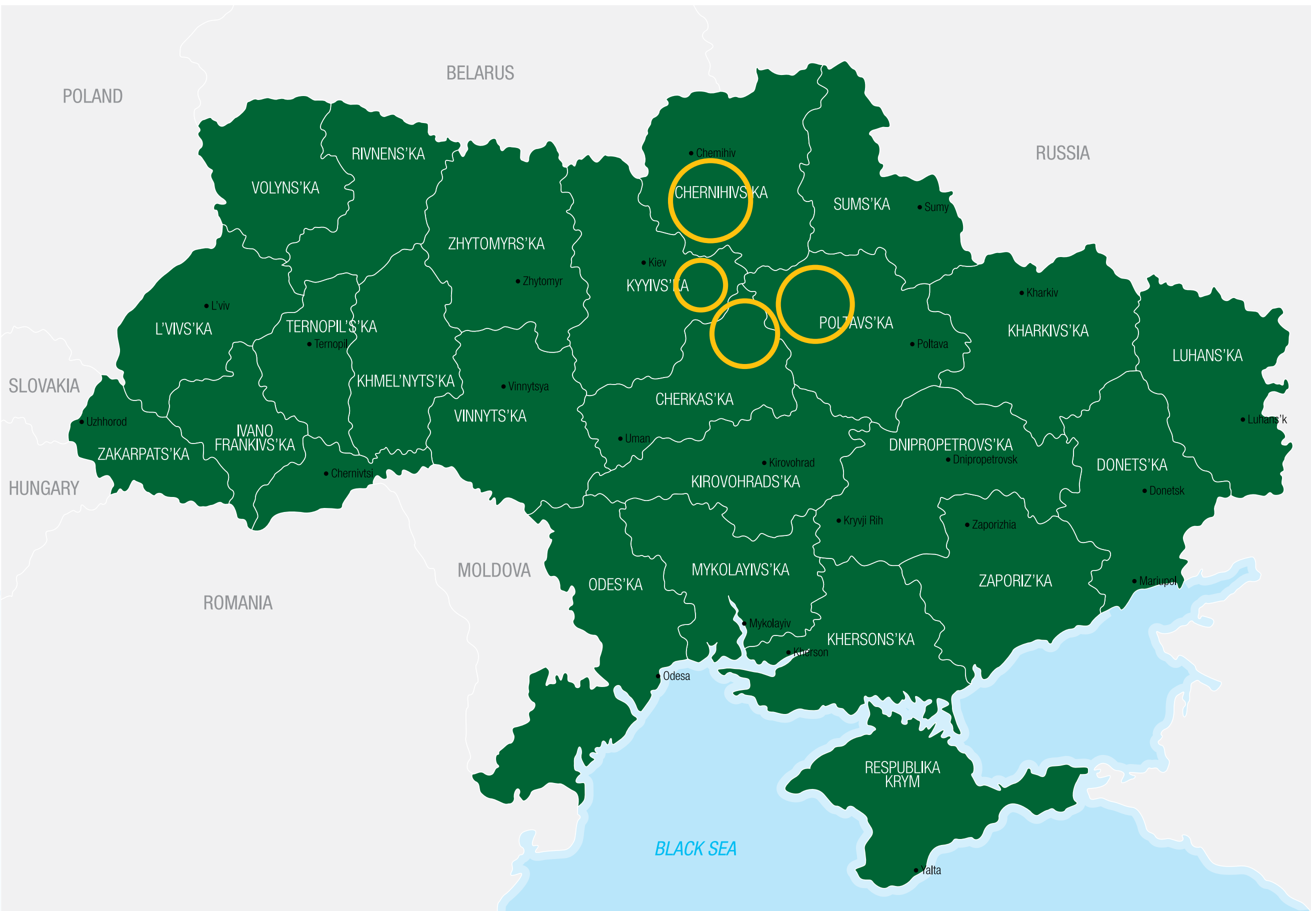
Grain Alliance is one of the leading agricultural companies in Ukraine. The company cultivates around 44,000 hectares of arable land in central Ukraine. The foundation for BZK Grain Alliance AB was laid as early as February 26, 1998. At that time, the company was a supplier of agricultural services, but during the summer of 1998, two thousand hectares were seeded. The cultivated area increased gradually and in 2008 amounted to 27,000 hectares. In May 2008, the founder of the company, the American entrepreneur Alex Oronov, together with a group of Swedish investors led by the Claesson & Anderzén group, spearheaded and founded a new company structure - Grain Alliance. Under this new corporate structure, the land bank has gradually increased and the company has become more profitable.

In conjunction with Swedish investments in the company, a major reorganization and restructuring was initiated. The company's operations were enhanced and new modern corporate governance principles were introduced. In addition to this, the additional capital enabled a rejuvenation of the equipment fleet and the introduction of new agricultural techniques.

OPERATIONS AND LOCATIONS

Grain Alliance lands are located in the center of the Ukrainian black-earth belt. The company operates in four districts in Ukraine: Kyiv, Poltava, Cherkassy and Chernihiv. Agricultural operations are divided into five regions (clusters), where each region cultivates between 8,000 to 12,000 hectares. Each of the regions is fully equipped with modern agricultural equipment and the short distance between the regions enables efficient utilization of machinery. In order to allow efficient handling and storage of the grain produced, the company has five drying facilities, three of which have a direct rail connection.

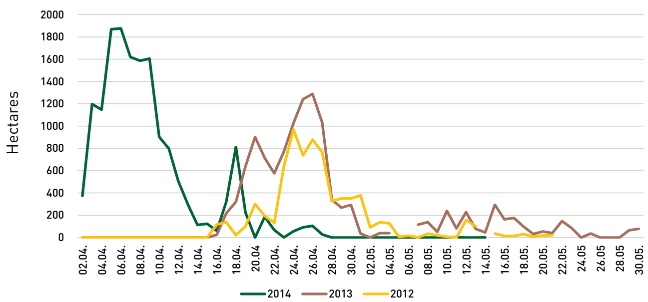
Efficiency and control are at the forefront of Grain Alliance's strategy and therefore tend to focus company land within a limited geographical area. The radius of Grain Alliance's core area (the area farmed) is about 80 kilometers. Over the past three years, the company has gradually expanded beyond this core area into the Chernihiv region north of Kyiv. Cultivating land in a limited geographical area allows a more efficient use of resources as transport of both equipment and crops is shorter. The simple fact that the lands are within an hour's drive from the main office also strengthens control. Farming is an activity that requires hands-on monitoring and control. Grain Alliance's operations are further backed by the four central drying facilities the company has either built or renovated completely. Having access to own in-house storage and drying not only increases the speed of the harvest but also provides the company with the opportunity to sell crops when prices are at their highest.



SEEDING 2014

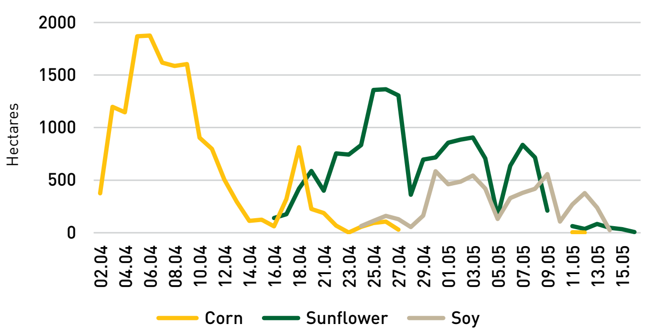
The weather conditions during the spring seeding were favorable for crops, but unfortunately also for weeds, which led to a certain urgency in the Kyiv region, which was the region where seeding started earliest. The situation was handled by adding equipment from neighboring regions. There was also scattered hail, but fields were largely in good condition. The total cultivated area was 43,424.60 hectares, of which 42,573.9 hectares were the main crops of corn, wheat, sunflower and soybeans. Seeding began very early this year, on April 2, and ended in mid-May. With the help of new instruments and a refined technical approach, the decision was made that sunflower seeding could start almost two weeks earlier than the previous year. An earlier campaign gives seeds more time to form root systems during the crucial period. On average 870 hectares per day were seeded, and at the peak, 1,877 hectares of sunflower were planted on a single day (April 6). The diagram below illustrates the large differences in sowing periods and seeding rates compared with previous years:

Sunflower seeding 2012-2014



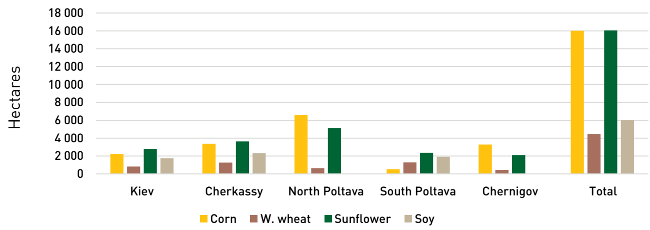
In 2009, Grain Alliance built its own agricultural laboratory that collects and analyzes environmental, climate and plant data. Results and performance data are regularly analyzed and are based on the agricultural technical records collected (soil, seed varieties, temperature, etc.). This has further enhanced the agricultural approach in 2014. A new feature this year was that seeds were treated with microelements and growth stimulants to boost growth. The choice of seed varieties was further adapted to the regional microclimate, soil type and in-house experience.

Seeding per crop and day 2014



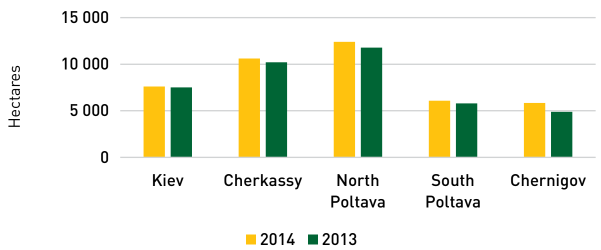
The distribution of crops between regions was similar, with the exception of Chernihiv and North Poltava, where the company this year focused on corn and sunflower.

Allocation of crops per region, 2014



Grain Alliance continued to increase cultivated area in all regions. Expansion was strongest in the Chernihiv region, where Grain Alliance expanded the cultivated area by a total of 971 hectares. The region is now almost as large as the South Poltava region. In other regions the expansion was more dynamic in that more landowners chose to lease out their land to Grain Alliance.

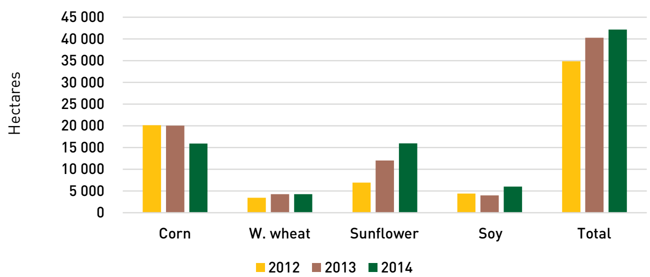
Seeded hectares per region 2014 and 2013



ALLOCATION OF CROPS

The harvested area increased by 1,867 hectares (5%) compared with 2013. The new area was mainly introduced into the crop rotations via sunflower; as such, this partly explains the increase in area seeded with sunflower. In addition to the pure crop rotation adjustments, a risk analysis was also carried out and the Board made the decision in February to try to reduce the agricultural technical risks. As a result of this decision, corn was reduced in favor of sunflower, which is a simpler crop with a low cost of production.

Dynamic of harvested ha 2012-2014



HARVEST 2014

The weather during the seeding period was favorable, with rainfall in May. All regions except southern Poltava received more than 73mm during the month of May. Unfortunately, the end of summer was very hot, which somewhat damaged parts of the harvest. All regions registered critical daytime temperatures above 30°C during both July and August. Unfortunately South Poltava was hit again by very high temperatures in August, which in combination with a lack of precipitation lowered the harvest results. Despite the careful approach, Grain Alliance suffered losses in crop production, mainly with winter wheat that does not survive the winter. However, other crops suffered losses as well, especially those in Southern Poltava due to drought.

	Harvested, ha	Seeded, ha	Losses, ha
Corn	15,938	16,029.64	-91.69
Winter wheat	4,278	4,469.14	-191.34
Sunflower	15,959	16,068.82	-110.30
Soybeans	6,003	6,006.30	-3.50

	July		August	
Region	No. of days	Daytime temp, °C	No of days	Daytime temp, °C
Kyiv	7	30-32	11	30-35.7
Cherkassy	6	30-32	13	30-35.4
North Poltava	8	30-33.4	15	30-36
South Poltava	13	30-33.1	15	30-36
Chernihiv	6	30-32	10	30-36

The harvest began on July 5 with the wheat harvest, and proceeded rapidly. The corn harvest ended on November 18, more than a month earlier than the previous year. The good weather conditions obviously made the harvest easier, but at the same time Grain Alliance's large investments in equipment and inventory also contributed. As for soy, Grain Alliance brought in a number of new varieties, including from the Canadian seed producer Sevita, a company that specializes in soybean varieties that fit northern climate zones. Unfortunately, these supplies arrived in late May, which affected the sowing period and in turn, the yields. A thorough analysis was carried out by the company's own experts and this analysis indicates that soybean seeding must commence no later than April 23 and finish no later than May 6, thus giving the plants the 115-124 days of growth that they need to reach their full potential.

2012

Crop	Hectares harvested	Yield, ton/ha
Corn	20,137	7.06
W. wheat	3,432	4.36
Sunflower	6,937	2.64
Soybeans	4,5787	2.09

2013

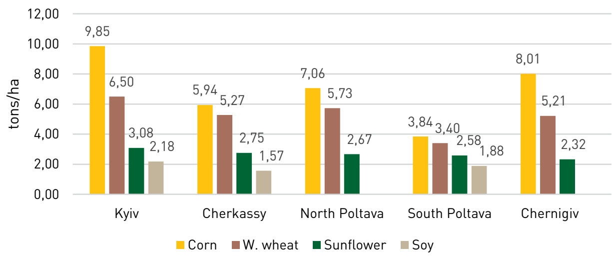
Crop	Hectares harvested	Yield, ton/ha
Corn	20,037	7.04
W. wheat	4,261	4.59
Sunflower	12,033	2.49
Soybeans	3,980	2.01

2014

Crop	Hectares harvested	Yield, ton/ha
Corn	15,938	7.30
W. wheat	4,278	5.03
Sunflower	15,959	2.70
Soybeans	6,003	1.85

In 2014, all regions, except southern Poltava, met targets in terms of yields. Among the most positive outcomes is the fact that results for winter wheat are stable, and for the second consecutive year the company has delivered a yield of 4.5 metric tons per hectare. We also see that Chernihiv, despite the strong expansion in 2013 and 2014, and having poorer soils on paper, continues to deliver stable and good results from its fields.

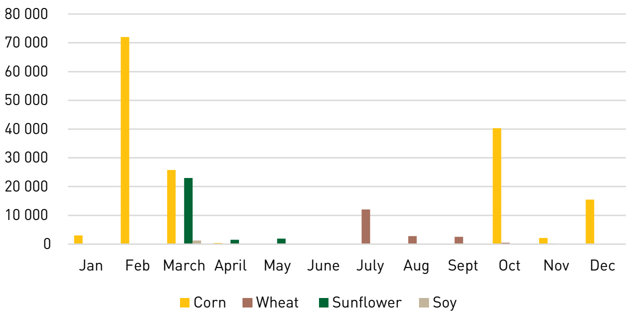
Yield per hectare, tons/ha, 2014



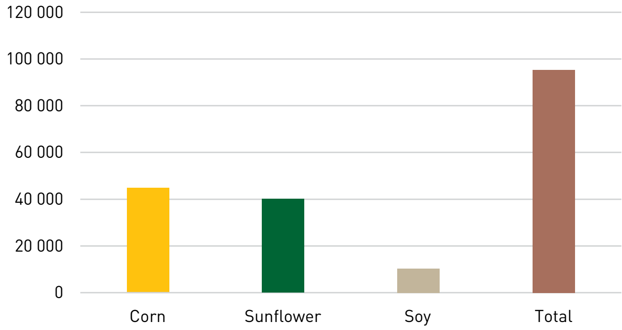
CROP PRICES AND SALES 2014

In 2014 crop prices did not recover from the large fall in 2013. The last two years' harvests are the largest in the history of humanity, which has led to sharply reduced prices. 2014 was also a good year for Ukrainian agriculture. Despite the conflict in the eastern parts of the country, 63.8 million tons of grain (excluding the Crimea) were harvested, an increase over the previous year (62.4 million tons). The local grain market was, however, affected by the unstable political situation and the conflict, with lower domestic prices and disruption in futures trading. Still, it is difficult to determine exactly how much the conflict has affected Grain Alliance's result. We note that the conflict has affected local prices and has thus affected the results. In 2014 the Ukrainian currency, the hryvnia (see "currency effects"), substantially devalued. This in turn affected local prices during the harvest season, and made it impossible to take "long" futures' positions in local currency. Experience shows that the link between local and international soft commodity prices is at its weakest when the harvest is in full swing, September to November. Because of the sharp currency fluctuations in 2014, the deviations between domestic and international prices were larger. Although Grain Alliance mainly produces crops for export, there is a certain lag in how quickly local prices adapt to the world market price.

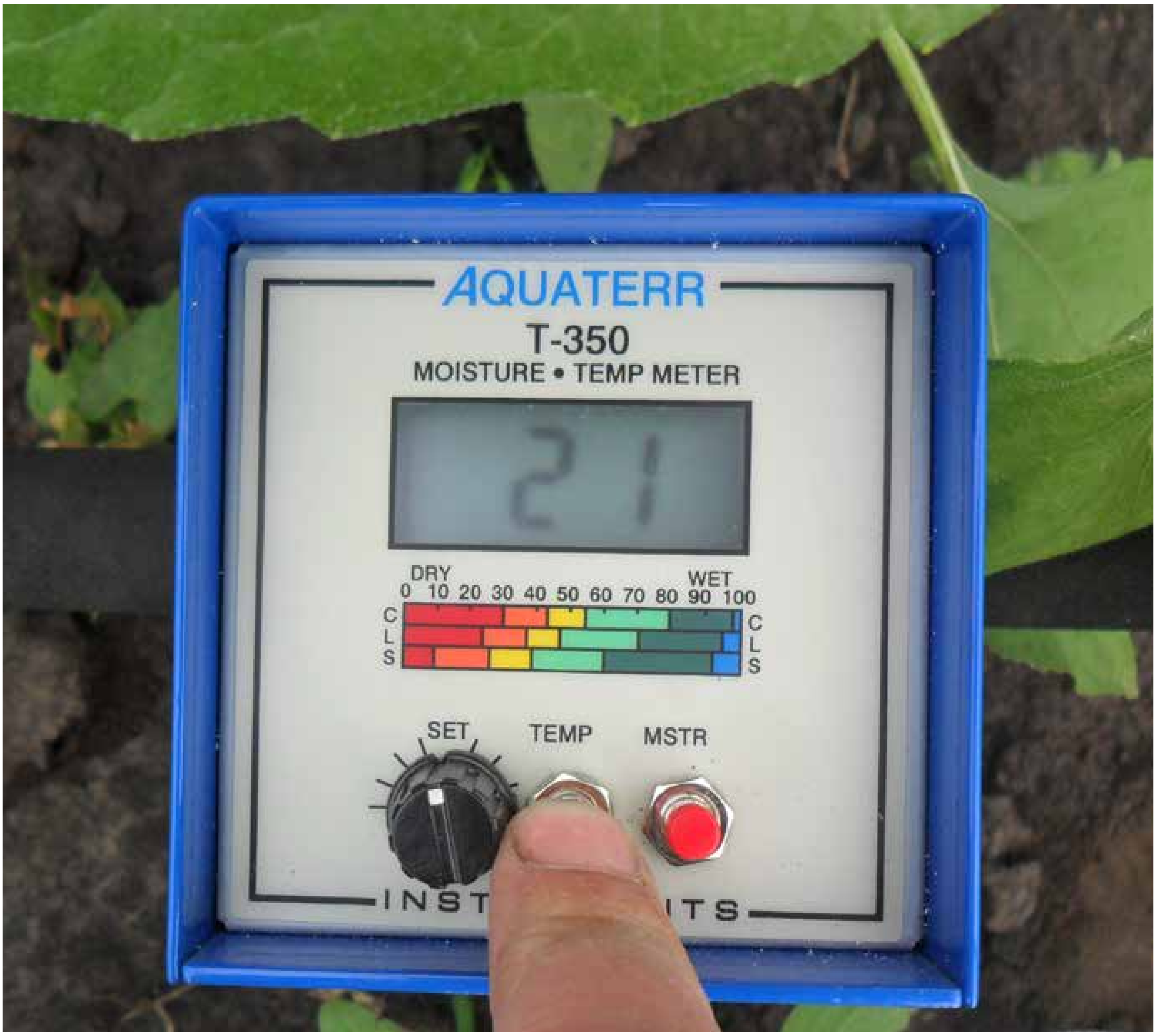
Sales, tons 2014



In stock, 2014-12-31, tons



Due to the company's strong financial situation, as in previous years sales volumes were limited during the fall. The 2013 harvest was sold during the spring of 2014 when the currency was still relatively strong and prices were higher than in fall 2013. As of December 2014, the company had approximately 96 thousand tons of grain in stock.



DIRECTORS' REPORT

RESULT/SALES 2014

As mentioned earlier, grain prices remained at a relatively low level, mainly due to good harvests worldwide. The depressed prices have affected Grain Alliance's result. The company has therefore increased its storage capacity further in order to reduce dependence on selling during the harvest period, as prices are normally much lower during fall and winter. Earnings in 2014 were negatively affected by the prevailing accounting principles whereby goods in stock are valued at the market price during harvest, which is lower than the closing date and significantly lower than the price at the actual time of sale. During spring 2015 Grain Alliance sold inventories from the 2014 harvest at prices exceeding the inventory value at the balance sheet date of the previous year. We note that IFRS accounting rules do not reflect the company's operating results and financial position. For more detailed information, see Note 5.

CURRENCY EFFECTS

The subsidiaries operational currency is the Ukrainian hryvnia, which sharply declined in value in 2014 against both the Swedish crown and the world's major trading currencies. The sharp currency decline is a result of political developments in the area. The value of the subsidiary's assets and liabilities has been affected, which is reflected in the fact that Group equity has decreased as foreign exchange losses have increased. The financial result for Grain Alliance has also been affected by exchange rate fluctuations in different ways, though mainly by foreign exchange losses on the subsidiary's foreign currency loans. The exchange losses in the consolidated income statement amount to 71,357 SEK for 2014, of which 27,756 SEK relates to intercompany loans. Under IFRS accounting standards, the currency losses on intercompany loans are recognized in the income statement, and thus cannot be considered to reflect the Group's operating results. For more detailed information, see Note 5.

CURRENCY RESTRICTIONS

In order to strengthen the Ukrainian hryvnia, the Ukrainian National Bank introduced a number of restrictions that hampered currency exchange and artificially increased demand for local currency. A measure that affected Grain Alliance's activities was the rule that was introduced in the spring of 2014, which dictated that 75 percent of all foreign earnings must be exchanged for local currency. In addition to this the central bank introduced so-called "currency auctions," which were the only way that currency could be acquired. The auctions meant that hard currency was auctioned within a fixed exchange rate corridor, which further limited availability of foreign currency. The currency restrictions forced the company to hold local currency during a period when the hryvnia depreciated sharply, which affected the year's earnings, though exactly how much is impossible to establish. During the year a prohibition on paying dividends to foreign parent companies was also introduced. This means no transfer of profit from the Ukrainian subsidiary to the Swedish parent company will be made.

INVESTMENTS DURING 2014

Since land expansion was not as strong as in previous years, the company did not make any major capital investments. However, the expansion of storage and drying capacity continued. A 5MW biomass thermal generator was installed in the elevator at Yahotyn. The goal is to reduce the dependence on natural gas as well as increase the share of renewable fuel in production. A by-product of cleaning and drying crops is dry plant residue from plants. In 2014, these residues were used as fuel for the dryer at Yahotyn. In addition to the biofuel heat generator, another steel silo in Yahotyn was also erected, with a storage capacity of 12,000 tons of corn. With respect to equipment, three John Deere combine harvesters were acquired. In total Grain Alliance imported equipment from the US worth 955,104 USD.

STORAGE AND DRYING CAPACITY 2014-12-31

	Baryshevka	Berezan	Yahotyn	Pirjatin
Storage cap.	15,000 t	48,000 t	62,000 t	55,000 t
Type of storage	Flat bed	Flat bed + steel bins	Flat bed + steel bins	Steel bins
Drying cap.	400 t/day	1000 t/day	1000 t/day	1000 t/day
Railroad	On site	On site	8 km	On site
Shipment cap.	800 t/day	1000 t/day	400 t/day	1400 t/day

EMPLOYEES

The average number of employees in 2014 was 1,203, divided between 258 women and 945 men. However, it is important to keep in mind that the number of employees depends on the season. The vast majority of employees are seasonal employees who assist during seeding or harvesting.

OWNERSHIP

In total, there are 7,807,775 shares in the company. The principal owner, Ukrainian Investment AB, owns 7,437,848 (95.3%) of the shares. Behind this is the CA group and founder of Grain Alliance, Mr. Alex Oronov.

ENVIRONMENTAL ISSUES AND SUSTAINABILITY

Sustainability and concern for the environment are a central question for Grain Alliance. The company follows a balanced crop rotation plan, which aims to prevent exhaustion of the soil and minimize negative environmental effects. The crop production approach is based on scientific measurements of the soils and modern production methods. Since 2008 Grain Alliance has carried out an annual soil analysis on the cultivated fields. The information from the analysis is the basis for the overall environmental strategy that aims to avoid exhaustion, harmful soil compaction and other adverse environmental effects. Another important part of this environmental strategy is the introduction of modern farming methods. Old, outdated equipment has been replaced by modern equipment. The company's long-term goal is to increase the share of renewable fuels in production. The investment in the thermal generator at the drying plant in Yahotyn allows the company to dry grain without using natural gas or any other fossil fuel.

HUMAN RESOURCE POLICY

Grain Alliance has an active HR policy that focuses on personal development and education. Staff are offered training in agronomy and agricultural technology, economics, the English language and management.

RISKS

The Group's agricultural operations are conducted entirely in Ukraine, which can be classed as an economy in transition. A transition economy is characterized by a limited availability of capital, high inflation, trade imbalances and strained public finances. Operations as such are also associated with risks in the form of volatile world prices, climate change and other external influences on soil and crops. The fact that operations are conducted in Ukraine also causes elevated economic and political risks compared with Sweden, for example. In 2014, the Ukrainian political and economic situation deteriorated significantly. The political turmoil that began in November 2013 and resulted in new elections, the Russian annexation of the Crimea, and the military conflict in eastern parts of Ukraine, has affected operations and the financial result. These factors have contributed to the decline in key economic indicators, an increase in the state budget deficit, depletion of the NBU's foreign currency reserves and, as a result, further downgrading of Ukrainian sovereign debt credit ratings.

Exactly how much the conflict has affected the result is difficult to quantify in numbers, but interest rates have risen and the financial result in 2014 was reduced by currency losses. In 2014, the Ukrainian currency devalued sharply in relation to all major currencies. In connection with this, the Ukrainian central bank introduced a series of measures to stabilize the currency, among other things a mandatory exchange of 75% of revenues in hard currency and limited possibilities for acquiring hard currency. An eventual further deterioration of the political and macroeconomic situation in Ukraine may affect the subsidiary's situation negatively. Relations between Ukraine and the Russian Federation have become very tense and also constitute an additional risk for the company.

A stabilization of the Ukrainian economy will for the foreseeable future depend largely on the Ukrainian government's ability to enforce reforms and prudent fiscal policies. The Ukrainian government has announced its intention to continue to come closer to the EU by pursuing a broad reform agenda that seeks to balance public finances and improve the investment climate.

The company is monitoring the current situation and, if necessary, measures will be taken to minimize any negative effects. To address the country-specific risks, the company participates actively in discussions with industry associations, government agencies and the Swedish Embassy in Ukraine. For more detailed information about risks and risk management, see Note 27.

IMPORTANT EVENTS DURING THE REPORTING PERIOD

The company increased cultivated area by 5%, mainly in the Chernihiv region. Storage capacity was increased by 12,000 tons and a new thermal generator was installed in the elevator at Yahotyn.

In view of the low grain prices during fall 2014, the Board took the decision, in consultation and agreement with the banks, to sell as little as possible of the harvest and to wait for higher prices. One result of this strategy was a deviation from the repayment plans for the existing loan portfolio. The company has thus formally breached its financial commitments, and reports in accordance with IAS 1 paragraph 74 that these liabilities should be considered current, even though no repayment has taken place. During 2015 these loans will be renegotiated. Based on the forecast and cash flow budget for 2015, management estimates that the company's further financing is secured.

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

During the first quarter of 2015, 43,915 tons of corn were sold at an average gross price of 2,760 UAH/ton, as well as 20,000 tons of sunflower, at 10,310 UAH/ton, and 8,860 tons of soy, at 10,070 UAH/ton. Sales prices were significantly higher than those that formed the basis for the valuation of goods in stock in 2014. During the first quarter of 2015, crops were sold at an average 58% higher price than the book value as of 2014-12-31.

	January			February			March			Total		
	Tons	**Price, UAH**	**Total, UAH**	**Tons**	**Price, UAH**	**Total, UAH**	**Tons**	**Price, UAH**	**Total, UAH**	**Tons**	**Price, UAH**	**Total, UAH**
Corn	28,010	2,750	77,026,881	15,900	2,760	43,828,266	30	2,050	61,078	43,940	2,760	121,054,375
Wheat	35	1,840	65,072	4	1,860	6,764	9	1,360	12,150	48	1,750	83,987
Sunfl.	0	0		0	0		20,000	10,310	206,150,000	20,000	10,310	206,150,000
Soy	60	9,130	548,085	8,800	10,080	88,713,720	0	0		8,860	10,070	89,261,806
Total	**28,105**		**77,778,189**	**24,704**		**132,548,751**	**20,039**		**206,223,227**	**72,848**		**416,550,168**

PLANS FOR THE FUTURE

Grain Alliance will continue to produce crops in Ukraine and, if possible, expand the cultivated area. The company believes that one of the continuing key success factors is to have storage capacity to fend off price fluctuations. As such, additional storage capacity will be added during the coming years. The planned expansion will mainly take place in the regions where the company already has significant operations, but also in other geographical areas deemed by the Board to be of interest for potential expansion. In the Chernihiv region, the company has acquired a plot of land to build, if needed, a new drying and storage facility, as well as in the Khmelnytskyi region in the western part of Ukraine, where the company acquired a facility that can be put into use for drying and storing grain. In addition to expansion of the land bank and further investment in equipment, there will also be a further enhancement of the agro-technical approach, with an increased focus on agronomy and science based on the company's in-house laboratory. No major change in the main crops grown is planned, however, the choice of hybrids and seed varieties will vary during the coming years.

KEY RATIOS

	2014	2013	2012	2011	2010
Turnover, MSEK	225,1	86,3	315,7	183,0	161,0
Operating profit/loss, MSEK	93,8	(68,8)	56,5	57,7	(4,3)
Profit after financial items, MSEK	2,2	(77,4)	43,4	37,6	(23,5)
Equity ratio %	32.2%	42.7%	77.9%	74.4%	30.3%
Cash Flow, MSEK	1,7	(52,8)	56,7	(3,3)	(4,2)

OVERVIEW OF THE PARENT COMPANY'S RESULTS

The following earnings are at the disposal of the Annual General Meeting:

Retained earnings	231,109,029 SEK
Net profit/loss for the year	7,851,892 SEK
	238,960,921 SEK

The Board proposes that the profit/loss be appropriated as follows:

To be carried forward	238,960,921 SEK
	238,960,921 SEK

Results of operations and the financial position at year end are shown in the Income Statement and Balance Sheet that follow, as well as in the information contained in the Notes to the Accounts.

In-house storage capacity enables Grain Alliance to optimize sales and removes bottlenecks during harvest.

		The Group	
	Notes	**2014**	**2013**
Revenue from sales	6	225 106	86 289
Net gain / (loss) on fair value measurement of biological assets and agricultural produce	17	76 254	(3 972)
Cost of sales	7, 13	(191 249)	(111 228)
Gross profit		**110 111**	**(28 911)**
Other operating income	8	12 758	6 016
General and administrative expenses	9, 13	(22 656)	(34 686)
Selling expenses	9, 13	(1 159)	(4 082)
Other operating expenses	10	(5 207)	(7 090)
Operating profit / (loss)		**93 847**	**(68 752)**
Finance costs	11	(20 347)	(11 760)
Finance income	12	88	520
Foreign exchange gain	14	(71 357)	2 641
Profit / (loss) before tax		**2 230**	**(77 352)**
Income tax expense		-	-
Profit / (loss) for the year		**2 230**	**(77 352)**
Whereof attributed to equity holders of the company		2 230	(77 352)
Other comprehensive income:			
Items that can be reclassified in the income statement			
Foreign exchange differences		(78 548)	559
Tax effect		-	-
Total comprehensive income for the year		**(76 318)**	**(76 793)**
Whereof attributed to equity holders of the company		**(76 318)**	**(76 793)**

		The Group	
	Notes	**2014**	**2013**
Non-current assets			
Property, plant and equipment	15	133 717	218 154
Biological assets	17	1 650	2 682
Other non-current assets	16	624	1 970
		135 992	222 806
Current assets			
Inventories	18	159 392	187 791
Biological assets	17	30 818	7 886
Trade and other receivables	19	1 963	1 663
Other current assets	19	30 624	29 939
Cash and cash equivalents	20	3 913	2 673
		226 709	229 952
Total assets		**362 701**	**452 758**
Equity			
Issued capital	21	11 556	11 556
Other contributed capital		278 295	278 295
Foreign currency translation reserve		(110 468)	(31 921)
Retained earnings		(62 557)	(64 787)
		116 826	**193 143**
Non-current liabilities			
Liability to non-controlling interests	11	1 810	3 250
Loans and borrowings relative parties	22	54 408	53 264
		56 218	56 514
Current liabilities			
Loans and borrowings bank	22	158 647	172 506
Loans and borrowings relative parties	22	21 930	16 231
Trade and other liabilities	23	7 747	13 466
Other current liabilities	23	1 334	898
		189 657	203 101
Total liabilities		**245 874**	**259 615**
Total equity and liabilities		**362 701**	**452 758**
Pledged assets			
Property, plant and equipment		84 050	102 635
Inventories		94 103	137 698

THE GROUP

	Issued capital	Other contributed capital	Foreign exchange differences	Retained earnings	Total equity
Balance at 31 December 2012	**11 556**	**278 295**	**(32 480)**	**12 565**	**269 936**
Profit for the year Loss for the year				(77 352)	(77 352)
Other comprehensive income			559		559
Total comprehensive income			559	(77 352)	(76 793)
Transactions with owners					
Issue of capital					
Balance at 31 December 2013	**11 556**	**278 295**	**(31 921)**	**(64 787)**	**193 143**
Profit for the year				2 230	2 230
Other comprehensive income			(78 548)		(78 548)
Total comprehensive income			(78 548)	2 230	(76 345)
Transactions with owners					
Issue of capital					
Balance at 31 December 2014	**11 556**	**278 295**	**(110 468)**	**(62 557)**	**116 826**

Consolidated statement of cash flow (in thousands of SEK)

	The Group	
	2014	**2013**
Operating activities		
Profit / (loss) before tax	2 230	(77 352)
Non-cash adjustments:		
Depreciation	16 990	43 225
Gain on sales of fixed assets	(35)	(525)
Finance income	(87)	(519)
Foreign exchange gain	71 357	(2 641)
Finance costs	14 957	6 102
Non-controlling interests	(1 440)	(194)
Working capital adjustments:		
Change in biological assets	(21 900)	1 543
Change in trade receivables and other current assets	(12 993)	(13 200)
Change in agricultural produce and other inventories	(54 818)	(127 377)
Increase in trade and other payables and other current liabilities	175	2 612
	14 436	**(168 326)**
Interest received	87	519
Net cash flows from operating activities	**14 523**	**(167 807)**
Investing activities		
Purchase of property, plant and equipment	(16 727)	(65 045)
Prepayments for land lease rights	-	2 090
Proceeds from (payments for) other non-current assets, net	1 724	454
Net cash flows used in investing activities	**(15 003)**	**(62 501)**
Financing activity		
Proceeds from loans and borrowings	676 204	248 403
Repayment of loans and borrowings	(659 057)	(64 769)
Interest paid	(14 957)	(6 102)
Net cash flows from financing activities	**2 190**	**177 532**
Net change in cash and cash equivalents	1 711	(52 776)
Foreign exchange difference cash	(471)	36
Cash and cash equivalents at 1 January	2 673	55 412
Cash and cash equivalents at 31 December (Note 20)	**3 913**	**2 672**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NOTES TO THE ANNUAL REPORT AND THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Consolidated financial statement (in thousands of SEK)

1. CORPORATE INFORMATION

BZK Grain Alliance AB (hereinafter referred as the "Parent Company" or the "Company", registration number 556754-1056) was incorporated in Sweden on 19 March 2008. The registered office of the Company is Stockholm (Gamla Brogatan 29, 111 20, Stockholm) in Sweden. The company is a majority-owned subsidiary of Ukrainian Investment AB (corporate id.number 556657-6699, with registered office in Kalmar). Ukrainian Investment AB is part of a group where CA Investment AB (corporate id.number 556794-8459, with registered office in Kalmar) prepares its consolidated financial statements for the smallest group and where Claesson & Anderzén AB (corporate id.number 556395-3701, with registered office in Kalmar) prepares consolidated accounts for the largest Group.

As at 31 December the Company holds ownership interests in the following subsidiaries (hereinafter the Company together with its subsidiaries referred to as the "Group"):

Name	Corporate id.nr	Location	Function	2014	2013
Baryshevski Grain Company LLC	32886518	Ukraine, Baryshevka	Planting, livestock farming	100%	100%
Ukraine LLC	03772950	Ukraine, Chyutivka	Planting, livestock farming	94.2%	94.2%
Ukraine LLC	03771896	Ukraine, Ovsyuki	Planting, livestock farming	90%	90%
Agrido LLC	38146829	Ukraine, Baryshevka	Dormant	100%	100%
Charity Foundation "Development of the village"	38467802	Ukraine, Baryshevka	Charity fund	100%	100%

The principal activity of the Group is crops cultivation, cattle farming and sale of agricultural production in Ukraine

1.1. GROUP RESTRUCTURING

Baryshevsky Grain Company LLC is the parent company of the Ukrainian subsidiaries in the Group. During 2014 the subsidiaries Grain Alliance Agroinvest Limited and Grain Alliance Holding Limited have been liquidated.

1.2. OPERATING ENVIRONMENT

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

The Ukrainian economy is integrated into the global economy and it is vulnerable to market downturns and economic slowdowns elsewhere in the world. Right now the focus is on the situation in Ukraine, in particular the Crimea area and the eastern parts of Ukraine. The political situation is dominated by the war against Russian supported separatists in the Donbass area. After a mass protest in Kyiv the former president Viktor Yanukovych left the country in February 2014, immediately thereafter the contradictions started. The conflict in Donbass escalated in March 2014 when Russia occupied the Crimea area. The situation in Ukraine has made interest rates rise significantly and the general business climate has deteriorated. The political disturbance has also led to instability in the capital markets, leading the local currency Hryvnia (UAH) to fall sharply against Swedish krona (SEK) and US dollar.

2. BASIS OF PREPARATION

These consolidated financial statements were approved for issue by management on 1 of June 2015. The Board has presented the annual report for publication on 18 May 2015.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The consolidated financial statements have been prepared on a historical cost basis, except for biological assets and agricultural produce, which are measured to fair value in accordance with the requirements of IAS 41 Agriculture as disclosed below in Note 3 Summary of significant accounting policies, as well as financial instruments.

IFRS 8 and IAS 33 has not been applied, because the company is not listed.

The consolidated financial statements are presented in thousands of Swedish Krona ("SEK") and all values are rounded to the nearest thousand ("SEK 000") except when otherwise indicated.

Each entity of the Group individually maintains its own books of accounts and prepares its statutory financial statements in accordance with the local accounting standards. The consolidated financial statements of the Company and its subsidiaries are based on the statutory records and adjusted as necessary to comply with the requirements of IFRS.

2.1 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2014.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CLASSIFICATION

Non-current liabilities and non-current assets consist in all material of amounts expected to be recovered or paid after more than twelve months from balance sheet date. Current liabilities and current assets consist of amounts expected to be recovered or paid within twelve months from balance sheet date.

BUSINESS COMBINATIONS

Business acquisitions are accounted for the acquisition method, whereby the cost allocated to the acquired assets and liabilities at fair value at acquisition. If there is a positive difference this is recognized as goodwill. If there is a negative difference this is recognized in the income statement in the period it occurs.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Group's share in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the date of acquisition, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill forms part of a cash-generating unit and that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. Any excess of fair value over consideration paid is recognised immediately in the profit and loss and presented therein as the gain from business combinations.

FUNCTIONAL AND PRESENTATIONAL CURRENCY

The functional currency of the Parent Company is Swedish Krona. The functional currency of the Ukrainian subsidiaries is the Ukrainian Hryvnia ("UAH") as this is the currency which reflects the economic substance of the underlying events and circumstances of the Ukrainian subsidiaries. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in other currencies are retranslated into the functional currencies at the statement of the financial position date at the functional currency rate of exchange ruling at that date. All differences are taken to the profit and loss. The income statement is translated at the average annual rate.

These financial statements are presented in SEK. The assets and liabilities of foreign subsidiaries are translated into SEK at the end of each year and profit and loss items and cash flows of the foreign subsidiaries are translated at exchange rates that ap-

Grain Alliance long term goal is to increase the share of renewable fuel in the production. In 2014 the first biomass thermal generator was installed.

proximates the exchange rates at the dates of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

The UAH is not a convertible currency outside the territory of Ukraine. Within Ukraine, official exchange rates are determined daily by the National Bank of Ukraine ("NBU"). Market rates may differ from the official rates but the differences are, generally, within narrow parameters monitored by the NBU. The translation of UAH denominated assets and liabilities into SEK for the purpose of the consolidated financial statements does not necessarily mean that the Company could realise or settle, in SEK, the reported values of these assets and liabilities. Likewise, it does not necessarily mean that the Company could return or distribute the reported SEK value of capital and retained earnings to its shareholders.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. As at 1 January 2010, the date of the first-time adoption of IFRS, the fair value of property, plant and equipment of the Ukrainian subsidiaries, which was appraised by an independent appraisal, were regarded as deemed cost.

Upon recognition, items of property, plant and equipment are divided into components, which represent items with a significant value that can be allocated to a separate depreciation period. Overhaul costs also represent a component of an asset.

Major spare parts and stand-by equipment qualify as property, plant and equipment when they are expected to be used during more than one year.

Repair and maintenance expenditure is expensed as incurred. Major renewals and improvements are capitalised, and the assets replaced are retired. Gains and losses arising from the retirement of property, plant and equipment are included in profit and loss as incurred.

When each major inspection is performed, its cost is recognised as a component in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

Estimates of remaining useful lives are made on a regular basis for all buildings, plant and equipment, with annual reassessments for major items. Changes in estimates are accounted for prospectively. Depreciation commences on the first day of the month following the date of putting the item into operation.

Depreciation is calculated on a straight-line basis over the estimated remaining useful life of the asset as follows:

Asset category	Useful life (years)
Buildings	25-50
Plant and equipment	7-30
Vehicles	7-10
Furniture and fittings	3-5

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset 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 item) is included in the profit and loss in the year the item is derecognised.

CONSTRUCTION IN PROGRESS

Assets in the course of construction are capitalised as a separate component of property, plant and equipment. On completion, the cost of construction is transferred to the appropriate category. Construction in progress is not depreciated.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

BIOLOGICAL ASSETS AND AGRICULTURAL PRODUCE

Plants

Biological assets comprise crops that have been planted but have not yet been harvested. In accordance with IAS 41, the Group's biological assets have been recognized and are measured at fair value less cost to sell. Agricultural produce harvested from the Group's biological assets is measured at its fair value less estimated costs to sell at the point of harvest. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes.

Due to the lack of observable market prices for certain biological assets in their condition (i.e. as a growing crop) at the time of valuation, the Group estimates the fair value of its biological assets by means of the discounted cash flow method (i.e., by calculating the present value of the net cash flows expected to be generated from the assets when sold as a grown crop, discounted at a current market-determined rate). In particular, the Group based its estimates of fair value of certain biological assets on certain key assumptions, including:

- expected crop yield is based on past crop yield adjusted for actual weather conditions;
- production costs expected to be incurred are projected based on the Group's actual, historical information and forecast assumptions;
- discount rate calculated as a weighted current market-determined rate.

A gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less cost to sell of a biological asset is included in profit or loss for the period in which it arises. A gain or loss may arise on initial recognition of agricultural produce as a result of harvesting. It is included in profit or loss for the period in which it arises.

After the point of harvest the agricultural produce is measured at the lower of the fair value at the point of harvest less cost to sell and net realizable value. Any losses between the initial recognition of the agricultural produce at the point of harvest and net realizable value are included in profit and loss for the period in which they arise.

Once agricultural produce is sold its carrying value at the date of the sale is transferred to cost of sales.

Livestock

The livestock is measured at fair value less estimated point-of-sale costs. The fair value of livestock is determined based on market prices of livestock of similar age, breed and genetic merit based on the most likely market.

INVENTORIES OTHER THAN BIOLOGICAL ASSETS AND AGRICULTURAL PRODUCE

Inventories other than biological assets and agricultural produce are stated at the lower of cost and net realisable value. The cost of inventories includes the expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Cost is determined based on the FIFO method. The cost of preparing and treating land prior to seeding is classified as work in progress. After seeding, costs of field preparation are transferred to biological assets.

MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables.

Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings.

Subsequent measurement

The subsequent measurement of financial assets and liabilities depends on their classification as described below:

De-recognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Impairment of financial assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs. The amortisation is included in finance income in profit or loss. The losses arising from impairment are recognised in profit or loss in finance costs for loans and operating expenses for receivables.

CASH AND SHORT-TERM DEPOSITS

Cash and short-term deposits are defined as cash on hand, demand deposits, deposits paid as security and short term, highly liquid investments with an original maturity of three months or less that are readily convertible to known amounts of cash and subject to insignificant risks of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

NET ASSETS OF UKRAINIAN SUBSIDIARIES

The net assets of Ukrainian subsidiaries, which are registered as limited liability companies, may be redeemed in cash at the request of the participants. The subsidiaries' obligation to redeem participants' interest gives rise to a financial liability for the present value of the redemption amount even though the obligation is conditional on the participant exercising the right. It is impractical to determine the fair value of this liability as it is unknown when and if participants will withdraw from the subsidiaries. As a practical expedient, the Group measures the liability to non-controlling interests, which are presented within non-current liabilities, at the carrying value of the subsidiaries' net assets that are not controlled by the Group.

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

PENSION

The Parent Company reports defined contribution pension plan. The costs for pensions are recognized as an expense in the period incurred. Net pension costs are shown in Note 24.

Wages and salaries, pension costs and other social costs

Short-term employee benefits such as salary, social security contributions, withholding taxes, etc. are recognized as an expense in the period incurred. There is no share-based remuneration in the Company.

CONTINGENT ASSETS AND LIABILITIES

A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the financial statements unless it is probable that an outflow of economic resources will be required to settle the obligation and it can be reasonably estimated. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

LEASES

Finance leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating leases

Operating lease payments, including those made before or at the inception of the lease in order to secure the right to obtain a lease agreement, are recognised as an expense in profit or loss on a straight-line basis over the lease term.

REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration receivable, excluding discounts, rebates, and other sales taxes or duty. Financial income consist of interest income which is accounted for at rate as interest is earned.

Sale of agricultural produce

Revenue from the sale of agricultural produce is recognised when the significant risks and rewards of ownership of the produce have passed to the buyer, usually on delivery of the produce.

GOVERNMENT GRANTS

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

TAXATION

Ukrainian fixed agricultural tax

According to effective Ukrainian tax legislation, the Group's entities, as involved in production, processing and sale of agricultural products may opt for paying fixed agricultural tax ("FAT") in lieu of income tax, land tax and some other local taxes if the revenues from sale of their own agricultural products constitute not less than 75% of their total (gross) revenues. The FAT is assessed at 0.15% on the deemed value of the land plots owned or leased by the entity (as determined by the relevant State authorities). As at 31 December 2014, all Group's subsidiaries (except Agrido LLC) elected to pay the FAT. The fixed agricultural tax is in the annual report defined as costs of sales.

Deferred tax / temporary differences

The Group does not recognize any deferred tax on the deficits in Sweden because there are no taxable income there. Nor is there any temporary differences in the Ukrainian subsidiaries when it

The political and economical crisis in 2014 deflated pensions, which made life increasingly difficult for the older generation. Grain Alliance provides support to make life better in rural Ukraine.

does not recognize any variable tax expense based on the results, see writing above.

Value added tax

Value added tax ("VAT") incurred on a purchase of assets or services which is not recoverable from the taxation authority is recognised as part of the cost of acquisition of the asset or as part of expense item. In other cases revenues, expenses, assets and liabilities are recognised net of the amount of VAT.

The Group's entities in the Ukraine, in frames of their production and sale of agricultural products, met certain quantitative thresholds ("qualifying entities") and are subject to a special VAT regime. The net VAT receivable reported cannot be claimed for refund or carried forward. At the same time, the entity has a right to retain the net VAT payable and use the respective amounts for funding its agricultural activities without making payments to special restricted accounts. Accordingly, the net VAT payables, determined at the level of individual tax payers, are recognized as income in the period in which they arise. The net VAT receivable is charged to profit or loss as incurred or included into carrying amount of assets acquired during the period, whichever is deemed more appropriate and applicable under the circumstances.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

During the year, the new standards IFRS 10, IFRS 11, IFRS 12, IFRIC 21 and the revised standards IAS 19, IAS 27, IAS 28, IAS 32 and IAS 39 been applied. The new standards had no material impact on the consolidated balance sheet and income statement.

A number of new standards, amendments to standards and interpretations will come into effect from the financial year 2015 or later and have not been applied in preparing these financial statements and the effect on BZK Grain Alliance AB's earnings and financial position is being investigated.

- IFRS 9 Financial instruments (2018)
- IFRS 15 Revenue from Contracts with Customers (2017)

Improvement projects in 2014:

- IAS 16 Property, Plant och Equipment and IAS 38 Intangible assets
- IAS 16 Property, Plant och Equipment and IAS 41 Agriculture

The market for high quality non-genetically modified soybean is growing fast on a global level, especially in Asian markets.

4. SIGNIFICANT ACCOUNTING JUDGMENT, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

JUDGMENTS

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Classification of lease agreements

A lease is classified as finance lease if it transfers substantially all the risks and rewards incidental to ownership, otherwise it is classified as operating lease. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. If the lease term is for the majority percent of the economic life of the asset, or at the inception of the lease the present value of the minimum lease payments almost amount to the fair value of the leased asset, the lease is classified by the Group as finance lease, unless it is clearly demonstrated otherwise.

ESTIMATES AND ASSUMPTIONS

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

The Group has made significant investments into property, plant and equipment. These assets are tested, as described below, for impairment annually, or when circumstances indicate there may be a potential impairment.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Estimation of recoverable amounts of assets is based on management's evaluations, including determining appropriate cash generating units, estimates of future performance, revenue generating capacity of the assets and assumptions of the future market conditions. Changes in circumstances and in management's evaluations and assumptions may give rise to impairment losses in the relevant periods.

Fair value of biological assets

Due to the lack of observable market prices for sowings in their condition at the reporting dates, the fair value of such biological assets was estimated by present valuing the net cash flows expected to be generated from the assets discounted at a current market-determined pre-tax rate.

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

- expected crop yield is based on past crop yield adjusted for actual weather conditions;
- production costs expected to be incurred are projected based on the Group's actual, historical information and forecasted assumptions;
- expected selling prices for agricultural produce at the point of harvest less cost to sell;
- discount rate calculated as a weighted current market-determined rate.

Weather

The Group is highly susceptible to changes in growing and weather conditions, which can impact the production of crops, the costs of production and crop yields. The Group must perform key operations at specific times, in particular during the limited autumn and spring planting periods and the narrow summer and autumn harvest periods. As a result, weather conditions during planting or harvest can have a significant impact on the Group's results of operations.

The Group's hiring policy contemplates the employment of the sufficient number of the agricultural experts, whose responsibility also includes the analysis, prognoses and correction of the Group's operating plans with respect to the weather issues. While making weather analysis and prognoses the engaged experts use the reliable external sources specialized in the weather analysis for the agricultural sector.

Grain Alliance supported the installation of solar powered street lights in villages where the company operates.

Notes to the Consolidated financial statement (in thousands of SEK)

5. EFFECTS ON PROFIT DUE TO ACCOUNTING PRINCIPLES

The Group's profit 2014 has been affected by changes in foreign exchange rates as well as IFRS accounting principles concerning valuation of inventory. An operational profit adjusted for effects from sales of inventory related to 2014 and a market valuation of inventory at year end is shown in the table below. VAT effects due to sales has been accounted for in both cases. In addition, changes in foreign exchange rates not considered as normal business has been adjusted.

	2014
Profit for the year	2 230
Effect on profit, beginning balance inventory	(51 160)
Effect on profit from market valuation at year end	101 287
Foreign exchange rate, external financing	43 601
Foreign exchange rate, financing from within the Group	27 756
Adjusted operational profit	**123 714**

6. REVENUE FROM SALES

	The Group	
	2014	**2013**
Corn	132 217	13 235
Sunflower	55 379	306
Wheat	18 955	18 555
Milk	4 692	5 634
Soy	4 381	38 256
Barley	297	561
Other	1 141	5 521
	217 061	82 068
Auxiliary agricultural services	8 045	4 221
	225 106	**86 289**

Revenues from three major customers, each individually exceeding 10% of total revenue, amounted to SEK 202 375 (2013: four customers – SEK 77 952).

	The Group	
	2014	
1. Cargill AT, LCC	93 314	41 %
2. Kernel-Trade, LCC	75 534	34 %
3. Noble Resources Ukraine, LCC	33 527	15 %
4. Others	22 731	10 %
	225 106	100%

7. COST OF SALES

	The Group	
	2014	**2013**
Depreciation of intangible assets	-	22 447
Depreciation of property, plant and equipment	15 969	19 353
Cost of auxiliary agricultural services	1 473	1 361
Other cost of sales	173 807	68 067
	191 249	**111 228**

The agricultural produce sold by the Group is measured based on the fair value of the respective agricultural produce sold less estimated cost to sell at the time of harvesting and taking into account subsequent write downs to net realisable value, if any.
The depreciation above, together with the depreciation in note 9, represents the Company's total depreciation.

8. OTHER OPERATING INCOME

	The Group	
	2014	**2013**
VAT retained (i)	11 914	3 965
Gain on accounts payable written off	36	589
Government subsides recognized as income	133	678
Penalties received	1	-
Gain on disposal of inventories	35	526
Other income	640	258
	12 759	**6 016**

(i) VAT retained represents VAT attributable to the qualifying Sales of the Group's agricultural producers, which, according to Ukranian legislation (note 3) is not payable to the budget

9. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses

	The Group	
	2014	**2013**
Payroll and related taxes	8 069	14 358
Professional services (i)	9 246	12 318
Fuel and other materials used	1 855	1 766
Services provided by third parties	1 368	1 693
Depreciation expenses	1 021	1 341
Repair and maintenance expenses	328	1 821
Representative costs and business trips	161	228
Other expenses	609	1 160
	22 656	**34 686**

Notes to the Consolidated financial statement (in thousands of SEK)

Selling expenses

	The Group	
	2014	**2013**
Payroll and related taxes	498	2 340
Professional services (i)	1	42
Fuel and other materials used	587	784
Services provided by third parties	55	550
Depreciation expenses	-	84
Repair and maintenance expenses	17	28
Representative costs and business trips	1	1
Other expenses	1	253
	1 159	**4 082**

Audit fees for the parent company and the Group in year 2014 and 2013 relates to fees payable to Ernst & Young. Audit fees included in the general and administrative costs are as follows:

	The Group	
	2014	**2013**
Audit assignment fees	424	843
Audit work not related to ordinary audit assignment	36	-
Tax advice	-	-
Other assignments	-	-
	460	**843**

10. OTHER OPERATING EXPENSES

	The Group	
	2014	**2013**
Charity expenses (i)	1 151	3 113
Result on disposal of inventories	264	(149)
Increase in bad debt allowance for trade receivables	126	1 090
Crops losses (ii)	357	892
Cost of goods sold	452	323
Food to employees	1 485	
Cost of services and products provided to employees	1 176	
Other expenses	195	1 822
	5 207	**7 090**

(i) Products and services provided to schools, kindergartens and hospitals, provided by the charitable foundation.
(ii) The losses are mainly incurred during the crops storage and attributable to the spoilage of crops negatively impacted, at the different stages of biological transformation, by the climatic, deceases and other factors inherent to the agricultural activity.

11. FINANCE COSTS

	The Group	
	2014	**2013**
Interest on loans and borrowings related party	866	1 529
Interest on loans and borrowings bank	18 960	9 559
Non-controlling interests	-	(194)
Convertible loans charges	521	478
	20 347	**11 760**

Liabilities for non-controlling interests are reported as current liabilities and not at equity, as they may be redeemed in cash at the request of the owners. Because of this, also minority interests are presented in the results as a financial item. See also accounting principles.

12. FINANCE INCOMES

	The Group	
	2014	**2013**
Interest income	88	520
	88	**520**

13. DEPRECIATION

	The Group	
	2014	**2013**
Depreciation intangible assets (within cost of sales)	-	22 447
Depreciation property, plant and equipment (within cost of sales)	15 969	19 353
Depreciation general and administrative expenses (within general and administrative expenses)	1 021	1 341
Depreciation selling expenses (within selling expenses)	-	84
	16 990	**43 445**

Depreciations above are the company's total depreciations, which are divided in their respective functions in the income statement.

14. FOREIGN EXCHANGE GAIN/LOSS

	The Group	
	2014	**2013**
Foreign exchange difference on loans within the Group	(27 756)	603
Foreign exchange difference on loans	(43 601)	2 038
	-71 357	**2 641**

Notes to the Consolidated financial statement (in thousands of SEK)

15. PROPERTY, PLANT AND EQUIPMENT

	The Group					
	Building & Constructions	**Plant & Equipment**	**Vehicles**	**Furniture & fittings**	**Construction in progress**	**Total**
Cost						
As at 1 January 2013	**67 976**	**80 003**	**47 083**	**2 579**	**15 669**	**213 310**
Additions	-	-	-	-	65 159	65 159
Transfer	49 101	61 577	(33 081)	2 317	(79 914)	-
Disposals	(133)	(422)	(181)	(7)	(796)	(1 539)
Foreign currency translation differences	(43)	(60)	110	(3)	46	50
As at 31 December 2013	**116 901**	**141 098**	**13 931**	**4 886**	**164**	**276 980**
Additions	1 028	7 739	622	455	16 733	26 577
Transfer	-	-	-	-	(9 821)	(9 821)
Disposals	(142)	(302)	(102)	(40)	(15)	(600)
Foreign currency translation differences	(45 089)	(55 312)	(5 432)	(1 937)	(1 026)	(108 796)
As at 31 December 2014	**72 698**	**93 223**	**9 019**	**3 365**	**6 036**	**184 340**
Depreciation						
As at 1 January 2013	**(7 103)**	**(14 222)**	**(16 394)**	**(657)**	**-**	**(38 375)**
Depreciation for the year	(2 661)	(10 537)	(6 388)	(1 193)	-	(20 778)
Reclassification	(1 547)	(15 699)	17 246	-	-	-
Disposals	18	218	63	15	-	313
Foreign currency translation differences	3	44	(34)	2	-	15
As at 31 December 2013	**(11 290)**	**(40 196)**	**(5 507)**	**(1 833)**	**-**	**(58 826)**
Depreciation for the year	(3 588)	(11 588)	(1 316)	(498)	-	(16 990)
Reclassification	-	-	-	1	-	1
Disposals	13	129	38	47	-	227
Foreign currency translation differences	4 841	17 060	2 295	768	-	24 965
As at 31 December 2014	**(10 024)**	**(34 595)**	**(4 489)**	**(1 515)**	**-**	**(50 622)**
Net book value						
As at 31 December 2013	**105 611**	**100 902**	**8 424**	**3 053**	**164**	**218 154**
As at 31 December 2014	**62 674**	**58 628**	**4 531**	**1 849**	**6 036**	**133 717**

As at 31 December 2014, a value of 84 050 regarding property, plant and equipment was pledged as a security for the bank loans (2013: SEK 102 635 - note 22).

The cost, accumulated depreciation and the carrying value of machinery and equipment held under finance lease agreements as at 31 December were as follows:

	The Group	
	2014	2013
Cost	-	-
Accumulated depreciation	-	-

Grain Alliance is trying to be a good corporate citizen and helps the people and communities where the company is active via the foundation Rozvitok Sela.

Notes to the Consolidated financial statement (in thousands of SEK)

16. OTHER NON-CURRENT ASSETS

	The Group	
	2014	**2013**
Prepaid lease expenses (i)	461	1 705
Value added tax (Note 3)	-	-
Other non-current assets	162	265
	623	**1 970**

(i) Lease payments for 2 609,5 hectares are valid from 27 April 2010 until 1 June 2015 and 1 253,14 hectares are valid until 31 December 2015.

17. BIOLOGICAL ASSETS

A reconciliation of changes in the carrying amount of biological assets is as follows:

	The Group			
	Note	**Plants**	**Animal-breeding**	**Total**
Carrying amount at 1 January 2013		**5 596**	**6 000**	**11 596**
Increase due to purchases and subsequent expenditures		239 301	2 719	242 020
Decrease due to crops harvest	(i)	(238 326)	-	(238 326)
Decrease due to sales		-	(729)	(729)
Net gain / (loss) arising from changes in fair value of biological assets and agricultural produce (less cost to sell)	(ii)	(1 309)	(2 663)	(3 972)
Livestock losses		-	(36)	(36)
Currency translation differences		(6)	21	15
Carrying amount at 31 December 2013	(iii)	**5 256**	**5 312**	**10 568**
Increase due to purchases and subsequent expenditures		195 915	2 842	198 757
Decrease due to crops harvest	(i)	(243 633)	-	(243 633)
Decrease due to sales		(152)	(979)	(1 131)
Net gain / (loss) arising from changes in fair value of biological assets and agricultural produce (less cost to sell)	(ii)	78 336	(2 082)	(76 254)
Livestock losses			(67)	(67)
Currency translation differences		(6 275)	(2 005)	(8 280)
Carrying amount at 31 December 2014	(iii)	**29 447**	**3 021**	**32 468**

(i) Crops harvested during the year are initially recognised at fair value less costs to sell at the time of harvest. For determination of fair value of agricultural produce, the domestic crop prices, where supported by management plans, less costs to sell at the time of harvest are used. Crop production for the years ended 31 December 2014 and 2013 was as follows:

	The Group			
	2014		**2013**	
	Tons harvested	*FV less cost to sell at the time of harvest*	*Tons harvested*	*FV less cost to sell at the time of harvest*
Corn	124 322	101 509	140 645	114 596
Sunflower	60 886	89 161	29 933	71 147
Wheat	33 069	21 979	19 537	30 552
Soybean	14 510	28 797	8 025	20 165
Barley	573	455	383	551
Other	-	1 732	-	1 315
	233 360	**243 634**	**198 523**	**238 326**

(ii) The gain arising from the change in fair value less costs to sell of plants represents the aggregate gain arising during the period on initial recognition of biological assets and agricultural produce and from the change in fair value less costs to sell of biological assets. A discounted cash flow model was used to determine the fair values of biological assets. The discounted cash flow model is based on the following significant assumptions:

	The Group			
	2014		**2013**	
	Yield in tons per hectare	*Price per ton less cost to sell*	*Yield in tons per hectare*	*Price per ton less cost to sell*
Winter wheat	4,92	751	4,15	1 077
Winter rye	2,62	-	-	-
Winter barley	-	751	-	-
Corn	6,43	751	6,74	764
Soybean	1,65	2 231	2,34	2 710
Sunflower	2,49	1 856	2,24	2 236

(iii) Biological assets as at 31 December comprised:

Livestock

	The Group			
	2014		**2013**	
	Number, heads	*Carrying value*	*Number, heads*	*Carrying value*
Cattle	1 043	2 765	1 041	4 782
Pigs	544	225	678	472
Horses	57	23	57	42
Others	-	9	-	57
	1 644	**3 022**	**1 776**	**5 312**

Livestock at 31 December 2014 comprises SEK 1 548 of non-current biological assets (2013: SEK 2 682).

Notes to the Consolidated financial statement (in thousands of SEK)

Plants

	The Group			
	2014		2013	
	Hectares	*Carrying amount*	*Hectares*	*Carrying amount*
Winter wheat	9 030	29 447	4 531	5 256
Winter rye	-	-	-	-
Winter barley	-	-	-	-
	9 030	**29 447**	**4 531**	**5 256**

18. INVENTORIES

	The Group	
	2014	**2013**
Agricultural produce (at fair value less costs to sell or net realisable value) (i)	132 014	155 518
Work in progress (at cost) (ii)	11 688	22 648
Raw materials (at cost) (iii)	13 730	7 291
Fertilizer, herbicide and pesticide (at cost)	1 141	1 704
Other inventories (at cost)	819	630
	159 392	**187 791**

(i) Agricultural produce is measured at the lower of the fair value at the time of harvest less cost to sell and net realizable value.

(ii) Work in progress represents the cost of preparing and treating land prior to seeding.

(iii) Raw materials mainly comprise seeds, other chemicals and fuel.

19. TRADE AND OTHER RECEIVABLES, OTHER CURRENT ASSETS

	The Group	
	2014	**2013**
Trade and other receivables		
Trade receivables	785	1 009
Trade receivables due from related party (Note 25)	-	-
Loans issued to employees	1 145	758
Less: bad debt allowance	33	(104)
	1963	**1 663**
Other current assets		
Deferred expenses	894	1 215
Advances paid	24 115	9 172
VAT recoverable	1 838	17 532
Other	3 777	2 020
	30 624	**29 939**

	The Group
	Provision for bad debts
As at 1 January 2013	**187**
Charge for the year	38
Used amounts (ii)	(38)
Foreign exchange translation difference	-
As at 31 December 2013	**187**
Charge for the year	-
Used amounts (ii)	-
Foreign exchange translation difference	(72)
As at 31 December 2014	**115**

(ii) relates to bad debt loss that has been established during the year.
For detailed information about aging see note 27.

20. CASH AND CASH EQUIVALENTS

	The Group	
	2014	**2013**
Cash:		
- on bank accounts	3 904	2 584
- on hand	9	89
	3 913	**2 673**

21. SHARE CAPITAL

The registered share capital amounts to SEK 11 556 (2013: SEK 11 556) and consists of 7 807 775 shares (2013: 7 807 775 shares). BZK Grain Alliance AB only has one class of shares carrying equal voting power.

22. LOANS AND BORROWINGS

As at 31 December 2014 loans and borrowings are as follows:

			Maturity		
			2015	**2016-18**	
	Currency	*Interest*	*Current portion*	*Non-current portion*	*Total*
The Group					
Ukrainian bank	USD	5,5-9,2%	42 562	-	42 562
Ukrainian bank	UAH	5,5-22%	116 085	-	116 085
Related party (Note 25)	SEK	3,5-7%	21 930	54 408	76 338
			180 577	**54 408**	**234 985**

Notes to the Consolidated financial statement (in thousands of SEK)

As at 31 December 2012 loans and borrowings are as follows:

			Maturity		
			2014	2015-17	
	Currency	*Interest*	*Current portion*	*Non-current portion*	*Total*
The Group					
Ukrainian bank	USD	8,1-8,7%	117 923	-	117 923
Ukrainian bank	UAH	8,1-15%	54 583	-	54 583
Related party (Note 25)	SEK	3,5-7%	16 231	53 264	69 495
			188 737	**53 264**	**242 001**

Convertible loans

The Extraordinary General Meeting in BZK Grain Alliance AB decided in 2009 to issue convertible bonds up to a maximum of SEK 45 million, which entitles holders to convert bonds up to a maximum total of 1 million shares in the Company with a quotient value of SEK 1.48 per share. To the extent that conversion has not taken place on 1 April 2018 at the latest, the then outstanding portion of the principal amount of the convertible bonds is due for payment on 30 April 2018. A holder of convertible bonds is entitled to request conversion of his claim to new shares during the period 1 January 2015 to 1 April 2018 at a conversion rate of SEK 45 per share.

Convertible loans are registered with Euroclear and carry an annual interest rate of 7%, which is payable on 30 April each year. The loan falls due on 30 April 2018.

When calculating the market rate at the time of the loan, the interest rate was estimated at 9%. Convertibles are a compound financial instrument which is divided into its components (equity and debt). The debt on 31 December 2014 was SEK 37,5 million (2013: 36,9 million), and the equity portion was approximately 4.8 million SEK.

23. TRADE AND OTHER LIABILITIES, OTHER CURRENT LIABILITIES

	The Group	
	2014	2013
Trade and other liabilities		
Trade liabilities	3 408	6 317
Payroll and related taxes	1 582	3 252
Unused vacations accrual	2 031	3 397
Other	727	500
	7 747	**13 466**
Other current liabilities		
Value added tax	835	-
Advances received	153	245
Income tax payable	163	270
Other	183	383
	1 334	**898**

24. NUMBER OF EMPLOYEES AND EMPLOYEE BENEFITS

Number of employees

	2014			2013		
	Women	Men	Total	Women	Men	Total
Sweden	-	-	-	-	1	1
Ukraine	258	945	1203	267	851	1 118
	258	**945**	**1203**	**267**	**852**	**1 119**

The management of the Group consists of 100% male.

Employee benefits

During the year no salaries, remuneration or pension expenses have been paid to the Board members.

	The Group	
	2014	2013
Board and senior executives	385	3 263
Other employees	25 808	32 220
Pension costs Board and senior executives	134	820
Pension costs other employees	10 294	12 169
Social security costs	108	518
	36 730	**48 990**

Notes to the Consolidated financial statement (in thousands of SEK)

25. RELATED PARTY DISCLOSURES

Ultimate Controlling Party

As at 31 December 2014 the majority owner of the Parent Company is Ukrainian Investment AB, which is a subsidiary of Claesson & Anderzén AB. A citizen of Sweden, Mr Johan Claesson, has the controlling interest in Claesson & Anderzén AB

THE GROUP

When the customs procedures in Ukraine often are too complicated for the company's U.S. suppliers of used equipment, purchases are made by a related party, UkrEthanol LLC, who has knowledge and experience to handle customs declaration. At December 31, the Group's outstanding balances with related parties as follows:

	The Group	
	2014	**2013**
Entity under common control		
Loans and borrowings	(72 794)	(67 699)
Of which:		
CA Investment AB	(19 271)	(14 784)
CA Agroinvest AB	(52 040)	(51 517)
Ukrainian Investment AB	(1 483)	(1 398)
Trade and other receivables	-	4
Of which:		
Bereznyaki F.G	-	4
Other current assets	296	462
Of which:		
Bezsmertniy V.P	26	-
Svitanok Ltd	-	105
Radovenyuk E.A	98	77
Radovenyuk A.F	172	280

For the year ended 31 December the Group's transactions with related parties are as follows:

	The Group	
	2014	**2013**
Entities under common control		
Interest expenses	(3 543)	(3 552)
Of which:		
CA Investment AB	(352)	(352)
CA Agroinvest AB	(3 107)	(3 115)
Ukrainian Investment AB	(85)	(85)
Purchase of services	(2 418)	(1 906)
Of which:		
Radovenyuk E.A	(1 086)	(1 232)
Radovenyuk A.F	(1 332)	(674)
Purchases of seeds	-	(1 563)
Of which:		
UkrEthanol LLC	-	(1 563)
Purchases of property, plant and equipment	-	(26 939)
Of which:		
UkrEthanol LLC	-	(26 726)
Slaviya Ltd	-	(213)

Compensation to key management personnel

For the year ended 31 December 2014, remuneration paid by the Group to key management personnel was SEK 544 (2013: SEK 4 083). Compensation included contractual salaries and related taxes.

Key management personnel consists of six individuals as at 31 December 2014 (2013: six).

26. CONTINGENCIES AND CONTRACTUAL COMMITMENTS

Taxation

The Group's operating activities are concentrated in Ukraine as disclosed in Note 1. Ukrainian legislation and regulations regarding taxation and other operational issues continue to evolve. Legislation and regulations are not always clearly written. Management believes that the Group has complied with all regulations and paid or accrued all applicable taxes. Where the risk of outflow of resources is probable, the Group has accrued tax liabilities based on management's best estimate.

The Group's operations and financial position will continue to be affected by Ukrainian political developments including the application of legislation and tax regulations. Management is of the opinion that the contingencies relating to the Group's operations are not of greater significance than those of similar businesses in Ukraine

Notes to the Consolidated financial statement (in thousands of SEK)

Operating lease commitments of the Group

The Group has entered into, or acquired, commercial lease agreements for land. The amount of lease payments is subject to renegotiation on an annual basis. At the end of each of the lease terms, the lessee has the right to renew the lease agreements. Total costs for commercial lease agreements for land during 2014 was 25 206 (2013: 40 145).

Future minimum rentals payable under non-cancellable operating land leases comprise:

	2014	2013
Up to 12 months	24 638	38 901
1-5 years	70 236	70 515
Over 5 years	28 036	19 201
	122 910	**128 617**

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments are comprised of trade receivables and liabilities, loans and borrowings, cash and cash equivalents. The main purpose of these financial instruments is to provide funding for the Group's operations. The Group has various other financial assets and liabilities such as other receivables and other liabilities, arising in the course of its operations. Fair values of the Group's financial instruments are close to their carrying amounts.

The main risks arising from the Group's financial instruments are market risk, liquidity risk, credit risk and agricultural risk. The policies for managing each of these risks are summarized below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and currency risk. Financial instruments exposed to market risk include loans and borrowings, deposits, accounts receivable, accounts payable and finance leases.

The sensitivity analyses in the following sections relate to the position as at 31 December 2014 and 2013. They have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant. In calculation of sensitivity analysis, the sensitivity of the relevant profit and loss item is the effect of the assumed changes in the respective market risks. This is based on the financial assets and financial liabilities held on 31 December 2014 and 2013.

Interest rate risk

The principal interest rate risk relates to financial lease obligations. The Group or the Company have not entered into any transactions to hedge these interest rate risks. The following table demonstrates the sensitivity to a reasonably possible change in the interest rates, all other variables equal, of the Group's profit before tax.

		Effect on profit before tax
	Change in basis points	**The Group**
2014		
Change in interest rate (LIBOR)	2	(27)
Change in interest rate (LIBOR)	(2)	27
2013		
Change in interest rate (LIBOR)	33	(265)
Change in interest rate (LIBOR)	(33)	265

Foreign currency risk

The Group performs its operations in Swedish Krona ("SEK"), Ukrainian Hryvnia ("UAH"), US dollar ("USD") and Euro ("EUR"). The Group attracts a substantial amount of foreign currency denominated loans and borrowings, and is thus exposed to foreign exchange risk. Foreign currency denominated loans and borrowings give rise to foreign exchange exposure. The Group has not entered into transactions to hedge against these foreign currency risks.

Currency risks as defined by IFRS 7 arise when financial instruments are denominated in a currency that is not the functional currency, and are of a monetary nature; translation-related risks are not taken into consideration. Relevant risk variables are generally non-functional currencies in which the Group has financial instruments. The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency exchange rate, all other variables equal, of the Group's profit before tax.

		Effect on profit before tax
	Change in foreign currency rate	**The Group**
2014		
Change in USD exchange rate	28,9%	(11 489)
Change in USD exchange rate	-28,9%	11 489
2013		
Change in USD exchange rate	30%	(34 967)
Change in USD exchange rate	-5%	5 828

Liquidity risk

The objective is to maintain continuity and flexibility of funding through the use of credit terms provided by suppliers as well as loans and borrowings. Management analyses the aging of assets and maturity of liabilities and plans the liquidity depending on expected repayment of various instruments. In the case of insufficient or excessive liquidity in individual entities, management relocates resources and funds to achieve optimal financing of business needs. The table below summarises the maturity profile of the financial liabilities at 31 December based on contractual undiscounted payments.

Notes to the Consolidated financial statement (in thousands of SEK)

	The Group				
	Payable on demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Total**
31 December 2014					
Loans and borrowings, principal amount	-	-	176 631	49 069	225 701
Interest payable	-	7 985	7 921	9 973	25 880
Trade and other liabilities (Note 23)	-	3 489	5 591	-	9 081
	-	**11 475**	**190 144**	**59 042**	**260 661**
31 December 2013					
Loans and borrowings, principal amount	-	136 228	44 030	48 549	228 807
Interest payable	-	5 664	2 815	4 715	13 194
Trade and other liabilities (Note 23)	-	3 773	10 591	-	14 364
	-	**145 665**	**57 436**	**53 264**	**256 365**

Credit risk

Sales are performed only to recognised, creditworthy third parties. The policy is that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and, therefore, the exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in Note 19.

The ageing analysis of the trade and other receivables is as follows:

	The Group					
		Past due, but not impaired				
	Neither past due, nor impaired	**Less than 3 months**	**3-6 months**	**6-12 months**	**More than 12 months**	**Total**
31 December 2014						
Trade and other receivables	-	1 597	122	244	-	1 963
	-	**1 597**	**122**	**244**	**-**	**1 963**
31 December 2013						
Trade and other receivables	36	1 663	-	-	-	1 698
	36	**1 663**	**-**	**-**	**-**	**1 698**

Capital management

Management considers debts and net assets attributable to majority participants as primary capital sources. The objective of capital management is to safeguard the ability to continue as a going concern in order to provide returns on investment for shareholders and benefits for other stakeholders as well as to provide financing of its operating requirements, capital expenditures and sustainability of the development strategy. The capital management policies aim to ensure and maintain an optimal capital structure to reduce the overall cost of capital, and flexibility relating to the access to capital markets.

Management monitors capital using a gearing ratio, which is net debt divided by total net assets attributable to majority shareholders plus net debt, including in the net debt loans and borrowings, finance lease liability, trade and other liabilities, less cash and cash equivalents.

Notes to the Consolidated financial statement (in thousands of SEK)

	The Group	
	2014	**2013**
Loans and borrowings	234 985	242 001
Trade and other liabilities	7 747	14 364
Less cash and cash equivalents	(3 913)	(2 673)
Net debt	238 819	253 692
Equity	116 826	193 143
Total equity and net debt	355 645	446 835
Gearing ratio	**67%**	**57 %**

Management monitors the capital structure on a regular basis and may adjust its capital management policies and targets following changes in the operating environment, market sentiment or its development strategy. The policy is to maintain a gearing ratio below 50%. The reason for the high debt ratio at the yearend of 2014 was because we had a large amount of crops in stock. In early 2015, the majority of these crops were sold and thereby loan was amortized.

Agricultural risk

Agricultural risk arises from the unpredictable of weather, pollution and other risks relating to the performance of crops. In order to manage the level of risk associated with agricultural activity, the Group holds a diversified portfolio of arable crops.

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of financial instruments are determined with reference to various market information and other valuation methodologies as considered appropriate. However considerable judgement is required in interpreting market data to develop these estimates. Accordingly, the estimates are not necessarily indicative of the amounts that the Group could realise in a current market situation. All financial assets and liabilities are valued at amortised cost. Set out below is the comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the consolidated statement of financial position

	The Group			
	Carrying amount		*Fair value*	
	2014	**2013**	**2014**	**2013**
Loans and receivables				
Cash and cash equivalents	3 913	2 673	3 913	2 673
Trade and other receivables	1 963	1 663	1 963	1 663
Other financial liabilities				
Trade and other liabilities	9 081	14 364	9 081	14 364
Loans and borrowings	234 985	242 001	234 985	242 001

29. EVENTS AFTER THE REPORTING DATE

During the first quarter of 2015 43 915 tonnes of corn was sold at an average gross price of 2 760 UAH / ton, further 20 000 tonnes of sunflower, 10 310 UAH / ton, and 8860 tons of soy, 10 070 UAH / ton. Sales prices were significantly higher than those that formed the basis for the valuation of goods stock 2014. During the first quarter of 2015 crops were sold to an average of 58% higher price than the book value as of 2014-12-31

From a political perspective, it has been a lot of disturbance in the Ukraine, and we follow this every day that passes. Our business has so far been most affected in terms of the sharp fall in domestic currency. The currency risk has under the circumstances been handled well.

PARENT COMPANY'S FINANCIAL STATEMENT

		The Parent Company	
	Notes	**2014**	**2013**
Revenue from sales		-	-
Gross profit		**-**	**-**
General and administrative expenses	2	(3 035)	(7 992)
Operating profit / (loss)		**(3 035)**	**(7 992)**
Finance costs	3	(4 073)	(4 080)
Finance income	4	3 207	2 552
Foreign exchange gain	5	11 753	(132)
Profit / (loss) before tax		**7 852**	**(9 652)**
Income tax expense	16		
Profit / (loss) for the year		**7 852**	**(9 652)**
Other comprehensive income:		-	-
Total comprehensive income for the year		**7 852**	**(9 652)**

The Parent Company

	Notes	2014	2013
Non-current assets			
Shares in subsidiaries	6	256 530	256 714
		256 530	**256 714**
Current assets			
Receivable subsidiary	7	68 084	55 830
Other current assets	7	958	1 208
Cash and cash equivalents	8	2 874	1 818
		71 916	**58 856**
Total assets		**328 446**	**315 570**
Equity			
Issued capital	9	11 556	11 556
Other contributed capital		278 295	278 295
Retained earnings		(39 334)	(47 186)
		250 517	**242 665**
Non-current liabilities			
Loans and borrowings relative parties	10	57 003	56 379
		57 003	**56 379**
Current liabilities			
Loans and borrowings relative parties	10	20 228	15 723
Trade and other liabilities	11	698	771
Other current liabilities	11	-	32
		20 926	**16 526**
Total liabilities		**77 929**	**72 905**
Total equity and liabilities		**328 446**	**315 570**
Pledged assets			
Property, plant and equipment		-	-
Inventories		-	-

THE PARENT COMPANY

	Issued capital (restricted equity)	Other contributed capital (non-restricted equity)	Retained earnings (non-restricted equity)	Total equity
Balance at 31 December 2012	**11 556**	**278 295**	**(37 534)**	**252 317**
Loss for the year			(9 652)	(9 652)
Total comprehensive income			(9 652)	(9 652)
Transactions with owners				
Issue of capital				
Balance at 31 December 2013	**11 556**	**278 295**	**(47 186)**	**242 665**
Profit for the year			7 852	7 852
Total comprehensive income			7 852	7 852
Transactions with owners				
Issue of capital				
Balance at 31 December 2014	**11 556**	**278 295**	**(39 334)**	**250 517**

	The Parent Company	
	2014	**2013**
Operating activities		
Profit / (loss) before tax	7 852	(9 652)
Non-cash adjustments:		
Finance income	(3 207)	(3 156)
Finance costs	4 257	4 816
Working capital adjustments:		
Change in trade receivables and other current assets	(12 004)	(43 207)
Increase in trade and other payables and other current liabilities	4 400	8 066
	1 298	**(43 133)**
Interest received	3 207	2 042
Income tax paid	-	-
Net cash flows from operating activities	**4 505**	**(41 091)**
Investing activities		
Purchase of financial assets	-	(98)
Net cash flows used in investing activities	**-**	**(98)**
Financing activity		
Proceeds from loans and borrowings	624	-
Interest paid	(4 073)	(4 080)
Net cash flows from financing activities	**(3 449)**	**(4 080)**
Net change in cash and cash equivalents	1 056	(45 269)
Foreign exchange difference cash	-	-
Cash and cash equivalents at 1 January	1 818	47 087
Cash and cash equivalents at 31 December	**2 874**	**1 818**

Notes to the Parent Company's financial statement (in thousands of SEK)

1. PARENT COMPANY: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING PRINCIPLES OF THE PARENT COMPANY

The parent company, BZK Grain Alliance AB, financial statements have been prepared according to the Swedish Annual Accounts Act and recommendation RFR 2 Accounting for legal entities issued by the Swedish Financial Reporting Board. RFR 2, implies that the parent company, as the legal entity shall apply all EU-approved IFRS and statements as far as possible within the framework of the Annual Accounts Act and considering the relationship between accounting and taxation. The recommendation specifies the exceptions and additions that shall be made in accordance with IFRS

INVESTMENTS IN SUBSIDIARIES (PARENT COMPANY'S SEPARATE FINANCIAL STATEMENTS)

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The investments in subsidiaries are initially recognised at cost. The carrying value of the investments is reviewed when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the investments are written down to their recoverable amount in accordance with IAS 36. Impairment losses are recognised in the statement of comprehensive income. An assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the recoverable amount of the investments. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the investment's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the investment does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined had no impairment loss been recognised.

2. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses

	The Parent Company	
	2014	**2013**
Payroll and related taxes	276	2 321
Professional services (i)	2 575	5 671
Other expenses	184	-
	3 035	**7 992**

Audit fees for the parent company and the Group in year 2014 and 2013 relates to fees payable to Ernst & Young. Audit fees included in the general and administrative costs are as follows:

	The Parent Company	
	2014	**2013**
Audit assignment fees	424	843
Audit work not related to ordinary audit assignment	36	-
Tax advice	-	-
Other assignments	-	-
	460	**843**

3. FINANCE COSTS

	The Parent Company	
	2014	**2013**
Interest on loans and borrowings	4 073	4 080
	4 073	**4 080**

4. FINANCE INCOME

	The Parent Company	
	2014	**2013**
Interest on loans and borrowings	3 207	2 552
	3 207	**2 552**

5. FOREIGN EXCHANGE GAIN/LOSS

	The Parent Company	
	2014	**2013**
Foreign exchange difference on loans within the group	11 312	603
Foreign exchange difference cash	441	(753)
	11 753	**(132)**

6. SHARES IN SUBSIDIARIES

	The Parent Company
As at 1 January 2013	**256 616**
Purchase price	98
As at 31 December 2013	**256 714**
Investments in subsidiaries	0
Liquidation subsidiaries	(184)
As at 31 December 2014 (i)	**256 530**

Notes to the Parent Company's financial statement (in thousands of SEK)

(i)	2014	2013
Barishevskya Grain Company LLC	256 367	256 367
Grain Alliance Agroinvest Ltd	-	92
Grain Alliance Holding Ltd	-	92
Agrido LLC	163	163
	256 530	**256 714**

7. TRADE AND OTHER RECEIVABLES, OTHER CURRENT ASSETS

	The Parent Company	
Trade and other receivables	**2014**	**2013**
Trade receivables due from related party (Note 13)	68 084	55 830
	68 084	**55 830**
Other current assets		
Advances paid	889	1 173
VAT recoverable	42	23
Other	27	12
	958	**1 208**

For detailed information about aging see note 14.

8. CASH AND CASH EQUIVALENTS

	The Parent Company	
	2014	**2013**
Cash:		
- on bank accounts	2 874	1 818
	2 874	**1 818**

9. SHARE CAPITAL

The registered share capital amounts to SEK 11 556 (2013: SEK 11 556) and consists of 7 807 775 shares (2013: 7 807 775 shares). BZK Grain Alliance AB only has one class of shares carrying equal voting power.

10. LOANS AND BORROWINGS

As at 31 December 2014 loans and borrowings are as follows:

			Maturity		
			2015	**2016-18**	
	Currency	*Interest*	*Current portion*	*Non-current portion*	*Total*
The Parent Company					
Related party (Note 13)	SEK	3,5-7%	20 228	57 003	77 231
			20 228	**57 003**	**77 231**

As at 31 December 2013 loans and borrowings are as follows:

			Maturity		
			2014	**2015-17**	
	Currency	*Interest*	*Current portion*	*Non-current portion*	*Total*
The Parent Company					
Related party (Note 13)	SEK	3,5-7%	15 723	56 379	72 102
			15 723	**56 379**	**72 102**

CONVERTIBLE LOANS

The Extraordinary General Meeting in BZK Grain Alliance AB decided in 2009 to issue convertible bonds up to a maximum of SEK 45 million, which entitles holders to convert bonds up to a maximum total of 1 million shares in the Company with a quotient value of SEK 1.48 per share. To the extent that conversion has not taken place on 1 April 2018 at the latest, the then outstanding portion of the principal amount of the convertible bonds is due for payment on 30 April 2018. A holder of convertible bonds is entitled to request conversion of his claim to new shares during the period 1 January 2015 to 1 April 2018 at a conversion rate of SEK 45 per share.

Convertible loans are registered with Euroclear and carry an annual interest rate of 7%, which is payable on 30 April each year. The loan falls due on 30 April 2018.

Notes to the Parent Company's financial statement (in thousands of SEK)

11. TRADE AND OTHER LIABILITIES, OTHER CURRENT LIABILITIES

	The Parent Company	
	2014	**2013**
Trade and other liabilities		
Trade liabilities	-	18
Payroll and related taxes	8	253
Other	690	500
	698	**771**
Other current liabilities		
Other	-	32
	-	**32**

12. NUMBER OF EMPLOYEES AND EMPLOYEE BENEFITS

Number of employees

	2014			2013		
	Women	**Men**	**Total**	**Women**	**Men**	**Total**
Sweden	-	-	-	-	1	1
Ukraine	-	-	-	-	-	-
	-	**-**	**-**	**-**	**1**	**1**

Employee benefits

The Parent Company	2014	2013
Board and senior executives	134	1 609
Pension costs	34	195
Social security costs	108	518
	276	**2 322**

During the year no salaries, remuneration or pension expenses have been paid to the Board members.

13. RELATED PARTY DISCLOSURES

Ultimate Controlling Party

As at 31 December 2014 the majority owner of the Parent Company is Ukrainian Investment AB, which is a subsidiary of Claesson & Anderzén AB. A citizen of Sweden, Mr Johan Claesson, has the controlling interest in Claesson & Anderzén AB.

THE PARENT COMPANY

As at 31 December the Company's balances owed to and due from related parties are as follows:

	2014	2013
Entity under common control		
Loans and borrowings (Note 10)	(72 794)	(67 699)
Of which:		
CA Investment AB	(19 271)	(14 784)
CA Agroinvest AB	(52 040)	(51 517)
Ukrainian Investment AB	(1 483)	(1 398)
Subsidiary		
Trade and other receivables	68 084	55 830
- Baryshevski Grain Company LLC		

For the year ended 31 December the Company's transactions with the related parties under common control are as follows:

	2014	2013
Interest expenses	(3 543)	(3 552)
Of which:		
CA Investment AB	(352)	(352)
CA Agroinvest AB	(3 107)	(3 115)
Ukrainian Investment AB	(85)	(85)

Compensation to key management personnel

For the year ended 31 December 2014, remuneration paid to key management personnel is SEK 242(2013: SEK 2 126). Compensation comprised the contractual salary and related taxes.

There are no key management personnel as of 31 December 2014 (2013: one).

Notes to the Parent Company's financial statement (in thousands of SEK)

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and currency risk. Financial instruments exposed to market risk include loans and borrowings, deposits, accounts receivable, accounts payable and finance leases.

The sensitivity analyses in the following sections relate to the position as at 31 December 2014 and 2013. They have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant. In calculation of sensitivity analysis, the sensitivity of the relevant profit and loss item is the effect of the assumed changes in the respective market risks. This is based on the financial assets and financial liabilities held on 31 December 2014 and 2013.

Interest rate risk

The principal interest rate risk relates to financial lease obligations. The Company have not entered into any transactions to hedge these interest rate risks. The following table demonstrates the sensitivity to a reasonably possible change in the interest rates, all other variables equal, of the company's profit before tax.

	Effect on profit before tax	
	Change in basis points	**The Parent Company**
2014		
Change in interest rate (LIBOR)	2	(5)
Change in interest rate (LIBOR)	(2)	5
2013		
Change in interest rate (LIBOR)	33	(53)
Change in interest rate (LIBOR)	(33)	53

Foreign currency risk

Currency risks as defined by IFRS 7 arise when financial instruments are denominated in a currency that is not the functional currency, and are of a monetary nature; translation-related risks are not taken into consideration. Relevant risk variables are generally non-functional currencies in which the company has financial instruments. The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency exchange rate, all other variables equal, of the company's profit before tax.

	Effect on profit before tax	
	Change in foreign Currency rate	**The Parent Company**
2014		
Change in USD exchange rate	28,9	19 995
Change in USD exchange rate	-28,9	(19 995)
2013		
Change in USD exchange rate	30%	17 367
Change in USD exchange rate	-5%	(2 894)

Liquidity risk

The objective is to maintain continuity and flexibility of funding through the use of credit terms provided by suppliers as well as loans and borrowings. Management analyses the aging of assets and maturity of liabilities and plans the liquidity depending on expected repayment of various instruments. The table below summarises the maturity profile of the financial liabilities at 31 December based on contractual undiscounted payments:

Notes to the Parent Company's financial statement (in thousands of SEK)

The Parent Company

	Payable on demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
31 December 2014					
Loans and borrowings, principal amount	-	-	20 228	51 664	71 892
Interest payable	-	-	-	5 339	5 339
Trade and other liabilities (Note 11)	-	698	-	-	698
		698	**20 228**	**57 003**	**77 929**
31 December 2013					
Loans and borrowings, principal amount	-	-	15 723	51 664	67 387
Interest payable	-	-	-	4 715	4 715
Trade and other liabilities (Note 11)	-	803	-	-	803
	-	**803**	**15 723**	**56 379**	**72 905**

Credit risk

Receivable balances are monitored on an ongoing basis and, therefore, the exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in Note 7. The ageing analysis of the trade and other receivables is as follows

The Parent Company

		Past due, but not impaired				
	Neither past due, nor impaired	Less than 3 months	3-6 months	6-12 months	More than 12 months	Total
31 December 2014						
Receivable subsidiary	-	13 414	-	13 414	41 256	68 084
Trade and other receivables	-	-	-	-	-	-
	-	**13 414**	**-**	**13 414**	**41 256**	**68 084**
31 December 2013						
Receivable subsidiary	-	11 049	-	11 049	33 732	55 830
Trade and other receivables	36	-	-	-	-	36
	36	**11 049**	**-**	**11 049**	**33 732**	**55 866**

Capital management

Management considers debts and net assets attributable to majority participants as primary capital sources. The objective of capital management is to safeguard the ability to continue as a going concern in order to provide returns on investment for shareholders and benefits for other stakeholders as well as to provide financing of its operating requirements, capital expenditures and sustainability of the development strategy. The capital management policies aim to ensure and maintain an optimal capital structure to reduce the overall cost of capital, and flexibility relating to the access to capital markets.

Management monitors capital using a gearing ratio, which is net debt divided by total net assets attributable to majority shareholders plus net debt, including in the net debt loans and borrowings, finance lease liability, trade and other liabilities, less cash and cash equivalents.

The Parent Company

	2014	2013
Loans and borrowings	77 231	72 102
Trade and other liabilities	698	803
Less cash and cash equivalents	(2 874)	(1 818)
Net debt	75 055	71 087
Equity	250 517	242 665
Total equity and net debt	325 572	313 752
Gearing ratio	**23%**	**23 %**

Management monitors the capital structure on a regular basis and may adjust its capital management policies and targets following changes in the operating environment, market sentiment or its development strategy. The policy is to maintain a gearing ratio below 50%.

Notes to the Parent Company's financial statement (in thousands of SEK)

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of financial instruments are determined with reference to various market information and other valuation methodologies as considered appropriate. However considerable judgement is required in interpreting market data to develop these estimates. Accordingly, the estimates are not necessarily indicative of the amounts that the Group could realise in a current market situation. All financial assets and liabilities are valued at amortised cost. Set out below is the comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the consolidated statement of financial position
:

The Parent Company

	Carrying amount		*Fair value*	
	2014	**2013**	**2014**	**2013**
Loans and receivables				
Cash and cash equivalents	2 874	1 818	2 874	1 818
Trade and other receivables	68 084	55 830	68 084	55 830
Other financial liabilities				
Trade and other liabilities	698	803	698	803
Loans and borrowings	77 231	72 102	77 231	72 102

16. INCOME TAX

The Parent Company

As at 31 December 2014, the tax loss carried forward is SEK 32 662 (2013: SEK 40 762). The Company has not recognized deferred tax assets as deficit.

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