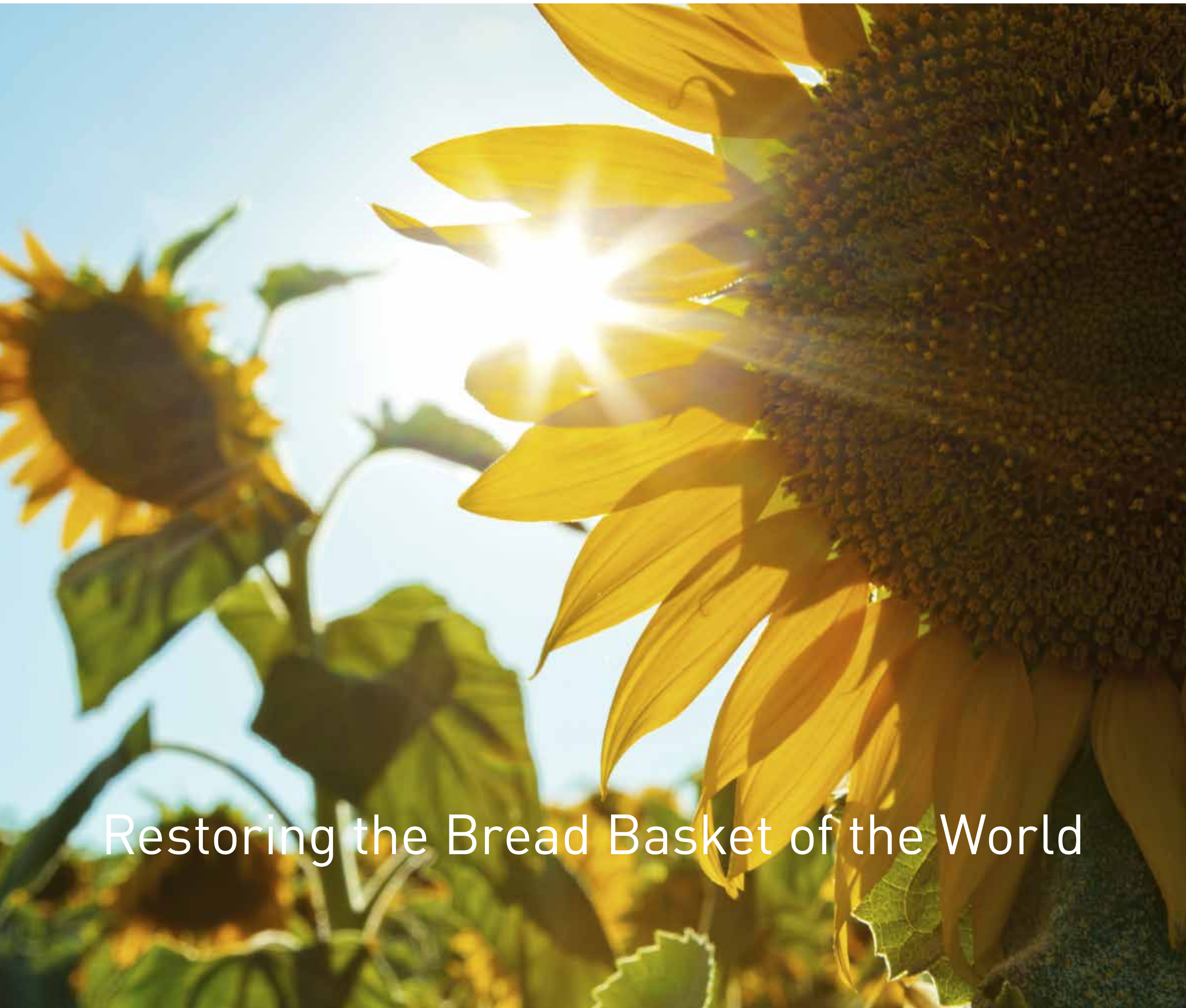
GRAIN ALLIANCE

ANNUAL REPORT 2013

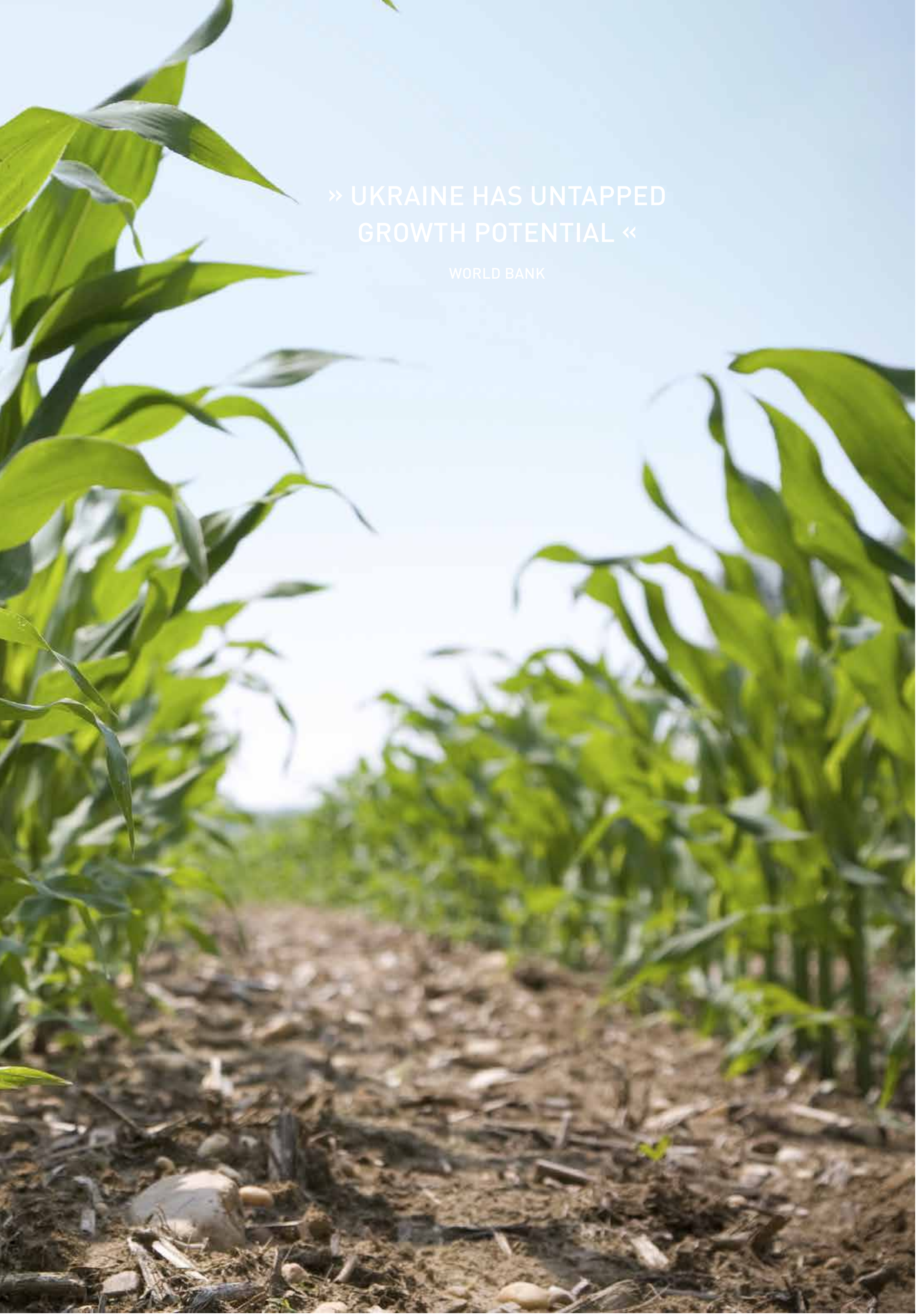


Alex Oronov, Founder and CEO

WHO WE ARE

Grain Alliance is a modern farm operator in Ukraine. The company controls 45 000 hectares in Ukraine; out of this area 40 200 is cultivated. Ukraine was once the "bread basket of Europe" and still has one of 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 implementing best agricultural practices, modern equipment and strict financial control. The underlying macroeconomic driver for the business is the increasing demand for food, which is fueled by global economic growth and the changing consumption patterns in the developing world towards a more protein rich diet.


» UKRAINE HAS UNTAPPED GROWTH POTENTIAL «
WORLD BANK

GRAIN ALLIANCE IN 2013

- The decrease in turnover is mainly due to the dramatic decline in the price of corn.
- Further efficiency improvements in the area of fuel consumption and grain handling.
- Rapid expansion of storage facilities due to completion of the Piryatin grain elevator. By the end of 2013 Grain Alliance had storage capacity close to 170 000 tons.
- Completion of the soybean calibration facility at the Baryshevka grain elevator.
- Heavy rainfall during the fall delayed the harvest, caused crop losses and congested the drying facilities.
- Sales period was optimized, from low season during harvest to potential higher prices during spring, which resulted in increased 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 2013	2012
Revenue, including revaluation of biological assets	82 317	358 644
Gross profit	-28 911	69 503
EBITDA	-25 308	96 360
EBITDA margin	Neg.	27%
Net profit	-77 352	43 403
Net margin	Neg.	12%
Amortization of intangible assets	22 447	23 185
Depreciation, total	-43 445	-39 813
Total assets	452 758	346 140
Total equity	193 143	269 936
Total liabilities	259 615	76 204
No. of shares	7 807 775	7 807 775
Profit per share	-9,9	5,6
Equity per share	24,7	34,6
Equity ratio	43%	78%
Cultivated area, ha	40 275	36 453
Revenue/ha	2 044	9 839
EBITDA/ha	-628	2 643

THIS IS GRAIN ALLIANCE

THIS IS GRAIN ALLIANCE

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 15 years of successful large-scale farming in Ukraine, achieving production yields on par with Western peers.
- We control around 45 000 hectares, of which 40 200 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.

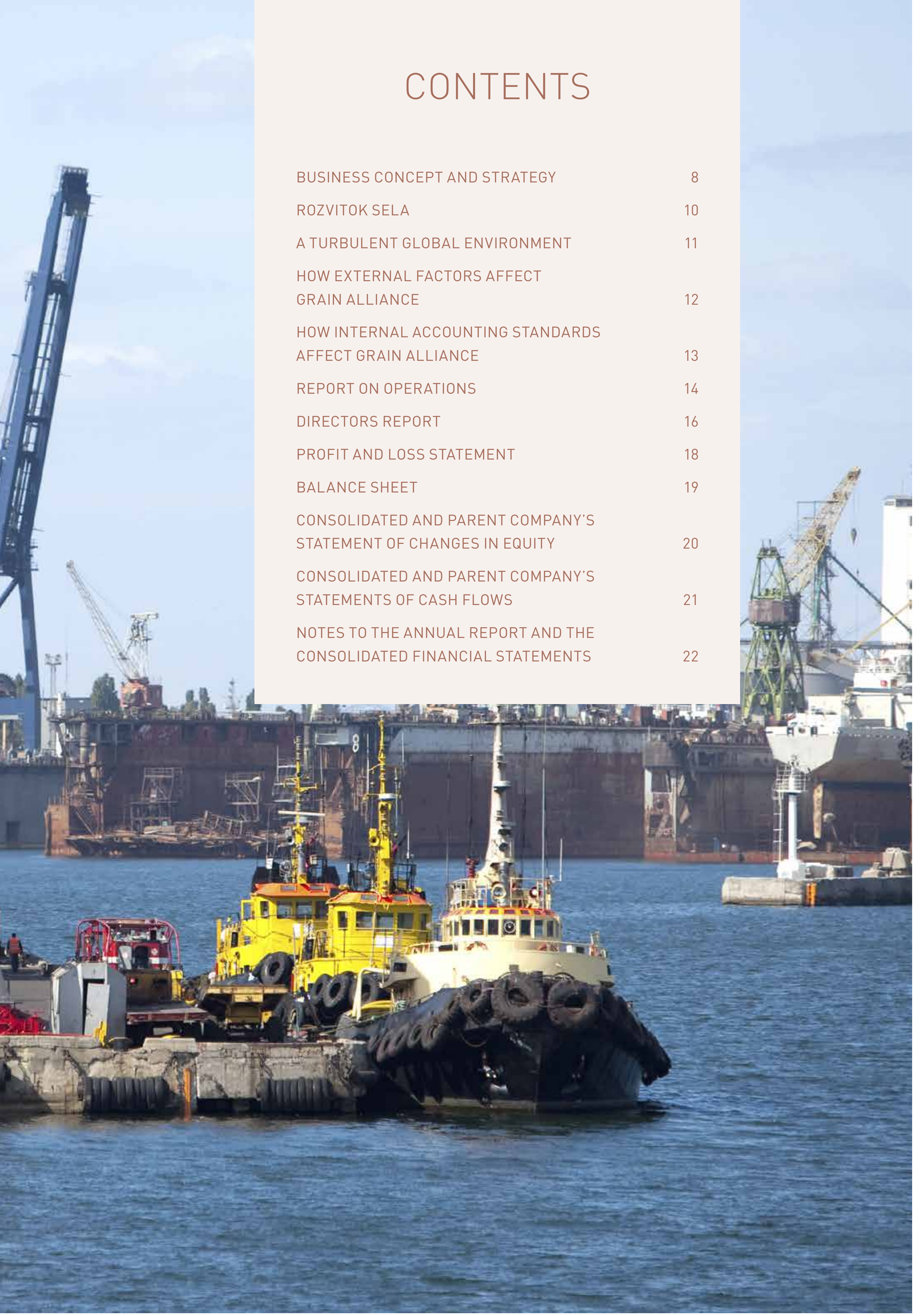
- We operate in 4 regions of Ukraine: Kiev, Chernigov, Poltava and Cherkassy.
- The radius between the farms in Kiev, Chernigov and Poltava is 80 km.
- We have 4 strategically placed grain elevators, 3 with on-site railroad.
- The climate in our regions is classified as a humid continental climate, excellent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



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BUSINESS CONCEPT AND STRATEGY

GROWTH IN GLOBAL DEMAND

As the world population grows, particularly in urban areas, and incomes increase, diets and consumption patterns alter demand for food and agricultural products expand. The United Nations estimates that the 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. Investing in agriculture and food systems is one of the most effective strategies for reducing poverty and hunger and for promoting sustainability. These prospects have driven the prices for agriculture commodities to record levels and experts foresee a stable price growth. In the backdrop of this development it is evident that the most efficient and sustainable producers have the opportunity to create large value for shareholders and the communities where they operate.

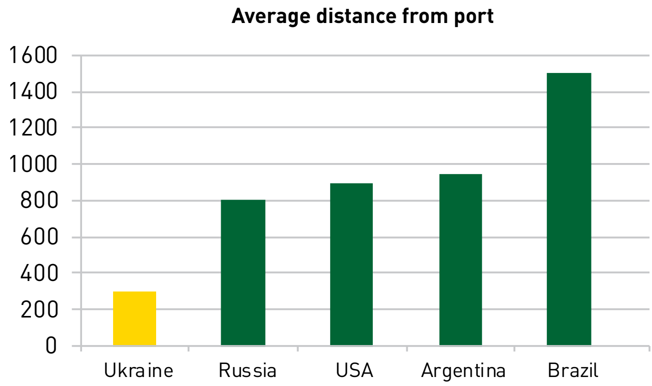
To respond to the increasing demand there are two things that have to be done: 1) increase the total cultivated area and 2) increase efficiency in agriculture. The world has to farm more land and get more back from each cultivated hectare or as the United Nations puts it "immense effort will have to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

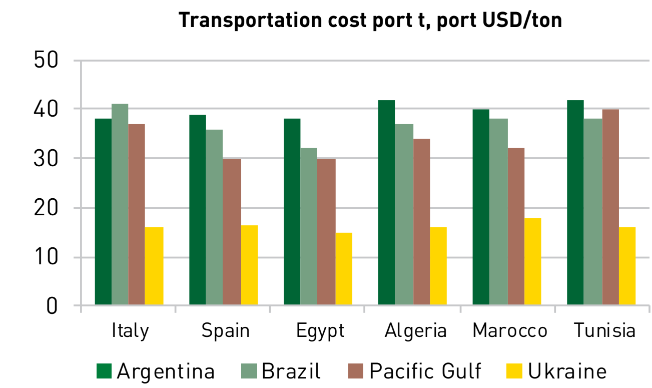
Ukraine's strategic position between Europe and Russia resulted in massive infrastructure investments from the Soviet Union. The country has a developed rail network, 22 000 km of tracks, which are linked to Russia, Belarus, Moldova, Poland, Romania, Slovakia and Hungary, 18 seaports along the Black Sea and Sea of Azov coastline and 3 deep seaports 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 distance and transportation costs from the Black Sea ports to the major importers are small in comparison to those from the American continents. This combination gives Ukraine the potential to become one of the leading agricultural producers in the world. The bread basket 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 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 taken great efforts to create our own structured approach to large-scale farming. The saying 'all business is local' is true for all business, but even more so for agriculture. Grain Alliance relies on strong local Ukrainian management, which is open to new thinking. Our agricultural approach is based on the adoption of best practices. If it works there, it works here. Nevertheless, the size of operations demands strict financial and operational control, in which IT plays a crucial role.

Sustainability also plays a central role in all Grain Alliance's operations. In order to secure sustainable high yields and profits, we need to take care of the environment, the soil and the communities where we operate.





THE MOST FERTILE SOILS IN THE WORLD

Out of Ukraine's total area of, 60 million hectares, 42.9 million hectares are arable land, of which 28 million hectares are cultivated (65%). Ukraine has one of the world's richest black soils, referred to as "chernozem". In fact, around 25 percent of global black soil assets are located in Ukraine.
The fields are large in international comparison.

INCREASE IN CULTIVATED AREA A PRIORITY

Grain Alliance is continuously increasing the land bank and cultivated area. Our goal in the medium term is to grow the cultivated area beyond 80 000 hectares. Our structured approach to farming ensures expansion without loss of control and profitability.

NEW INVESTMENTS IN JAPAN

The market for non-genetically modified soybeans is expanding rapidly as demand grows for healthy alternatives as a source of protein. Grain Alliance has, together with Japanese, U.S. and Korean partners, developed this branch of our activities. The goal is to supply the Asian markets with soybeans, corresponding to the highest quality requirements for human consumption.

STATE OF THE ART INFORMATION TECHNOLOGY SYSTEMS

Grain Alliance has developed a unique agriculture resource planning system, Agrido, which covers all aspects of large-scale farming. 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 CONTINUOUSLY ADDED

Quality grain storage is necessary to ensure that grain remains in good condition and provides the opportunity to sell at any time without additional expense. Grain Alliance is continuously expanding existing storage facilities and at the end of 2013 the company had close to 170 000 tons of storage capacity.

SIMPLY BETTER NUMBERS

Grain Alliance's modern approach to large-scale farming results in stable and consistent production yields for our main crops, well on par with Western peers. Corn, soybeans and sunflower are our main crops. Ukraine's climate and fertile soils create excellent conditions for these crops.

INVESTING IN THE COMMUNITY

A strong social commitment is a pillar of our approach to business. We strive to be responsible investors and focus not only on our operations but also on the people and the communities where we operate. As a result of this Grain Alliance took the initiative to start the foundation "Village development", www.rozvitoksela.org, the goals of which are to improve the standard of living in rural areas of Ukraine.

ROZVITOK SELA

Grain Alliance is a Swedish-Ukrainian agricultural company that has long believed that a company should not only grow by investing in business, but also in the people and communities where the company is active. For Grain Alliance the best way to give back to the 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 "Development of the village," the goals of which are to improve the standard of living in rural areas of Ukraine. Throughout Grain Alliance's history, the company has strived 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.

Being one of the largest employers in the regions where Grain Alliance is active, the company has taken the responsibility of being a good corporate citizen to heart. 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. The main objectives of these activities are to promote the development of local communities and the improvement of their welfare.

Still the challenges found in the rural areas of Ukraine are so vast that they cannot be solved part-time by one company. Therefore Grain Alliance created the independent fund, "The Development of 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 the rich and poor has widened and the 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. All our activities are carried out in accordance with the law and international norms.

The Village Development Fund centers around four pillars:

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

The main activity of the Fund is work directed to the socio-economic development of the Kyiv, Cherkasy, Poltava, Chernihiv areas, with the goal of increasing the welfare of citizens living in that area.

РОЗВИТОК
СЕЛА

A TURBULENT GLOBAL ENVIRONMENT

Grain Alliance is one of the leading agricultural companies in the CIS in terms of operational efficiency. The operational and agricultural approach is refined and enhanced every year as more modern equipment is introduced and new agricultural techniques are applied. Despite these improvements, there are strong external powers, which the company cannot influence, that affect profitability.

During 2013 the profitability of the company was affected mainly by the following factors:

HIGHER COSTS OF INPUT MATERIALS

The main part of Grain Alliance's costs are seeds, fuel, fertilizer and pesticides. The prices for these inputs are mostly set on the global markets. As a result of the heat wave that affected a large part of the world in 2012, the supply of quality seeds diminished, resulting in a higher cost of seeding materials, fertilizer and pesticides.

GLOBAL PRODUCTION AND USE

During 2013 global production of grains increased by 8% and consumption by 5%; ending stocks increased by 9%.[1] The sharp increase of output of grains was mainly caused by a sharp contrast in global weather conditions. In 2012, the global agricultural leader – the United States - experienced one of the worst heat waves and droughts in history, which stands in sharp contrast to the very favorable conditions during 2013. The difference in production was even greater for coarse grains, especially corn, where output increased by 11%, consumption by 0.3% and ending stocks by 19%. The sharp increase in production was compensated for by an increase in consumption. In relation to global usage, ending stocks remained on a lower level than in 2011 (20.3% in 2011 compared to 20.15% in 2013). Despite the fact that ending stocks only recovered slightly from the poor year in 2012, the market reacted in a more dramatic way resulting in a sharp downturn for global soft commodity prices.

GLOBAL PRICES

As a result of the global financial crisis global grain prices decreased in 2008, but have gradually recovered over the past four years, peaking in 2012 due to poor weather conditions. Corn prices dropped by 40% in 2013, the biggest price fall since 1960. Soybean prices were supported by increased consumption but still dropped by 8.3%.[2] Ukrainian sunflower prices were also affected by the general low expectations and dropped by 30%.[3] Corn, sunflower and soybeans account for 91% of Grain Alliance's total production.

WEATHER PATTERNS

In 2013 Ukraine experienced extremely rainy weather conditions. In the spring, Grain Alliance's area of operations was hit by fierce blizzards causing the government to declare a state of emergency at the end of March. The large amount of snow made the fields wet and muddy, delaying the seeding campaign considerably. The rain returned in September and continued during the fall, which resulted in a very slow harvesting campaign and wet crops. Sunflower, for example, is normally only cleaned, not dried, but in 2013 all of Grain Alliance's sunflower had to be dried, which resulted in increased consumption of natural gas and congestion at the elevators.

[1]United States Department of Agriculture, World Agricultural Supply and Demand Estimates Report January 10 2014 [2]Bloomberg. [3]APK-Inform4.

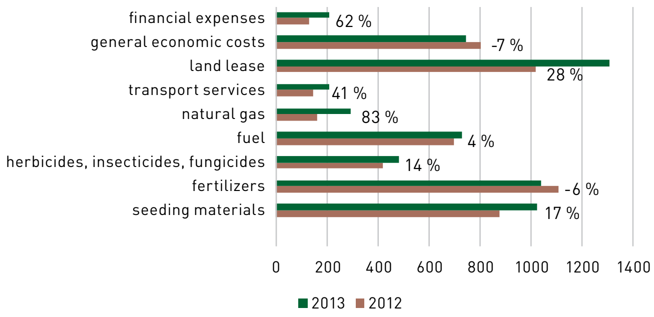
HOW EXTERNAL FACTORS AFFECT GRAIN ALLIANCE

DYNAMIC OF COGS

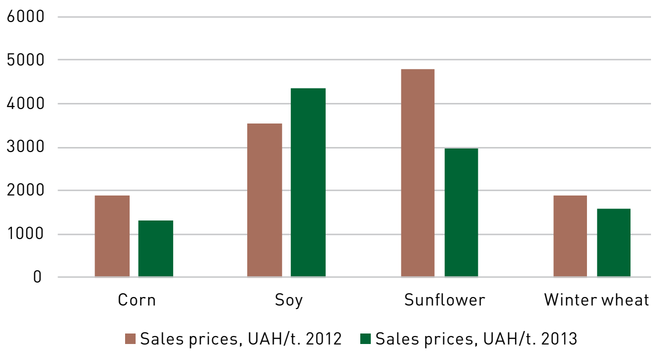
Most external expenses have increased significally, significantly. For example, natural gas has increased by 83% and seeding materials by 17%.

Grain Alliance's main crops in 2013 were corn and sunflower and these account for nearly 80% of total volume. The combination of increasing costs and decreasing selling prices has a big impact on the company's result.

COGS 2012 vs 2013

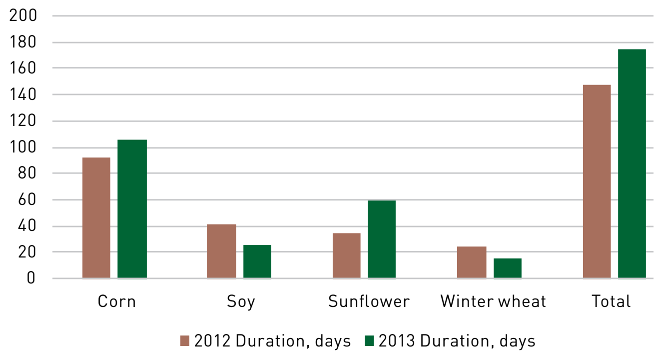


Average sale prices per crops 2012 vs 2013



WEATHER – DAYS OF HARVEST 2012 VS 2013

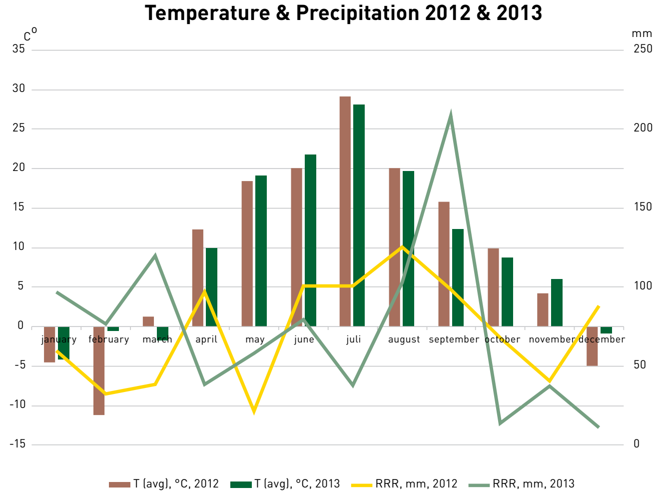
Harvesting duration 2012-2013



The harvest duration was delayed by almost one month in 2013 compared to 2012. The heavy rain during the fall resulted in wet crops and therefore a very slow harvesting campaign. In September it rained over 200 mm compared to less than 100 mm the previous year.

The snowfall during the spring was also significantly heavier than 2012, which also delayed the seeding campaign.

Temperature & Precipitation 2012 & 2013



HOW INTERNATIONAL ACCOUNTING STANDARDS, IFRS, AFFECT GRAIN ALLIANCE

As an agricultural producer, Grain Alliance use 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 specified under IFRS. Under IFRS, companies involved in the 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, 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 less estimated cost of sales at each balance sheet date. The fair value should represent the market price for the biological asset based on current expectations. The 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 2013 was 16%, reflecting the cost of money in Ukraine as estimated by independent sources;
- 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 is at the same time when the rest of the northern hemisphere harvest crops and supply are at their peak. This means that the price used to establish the value of the goods in stock is the lowest of the year. As a result of using these very low prices, the value of the goods in stock does not reflect the true market value of these goods.

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

In 2013 Grain Alliance made the sound decision to store its agricultural produce 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 fiscal year was significantly lower than the true market value thus lowering Grain Alliance's financial result and total assets.

REPORT ON OPERATIONS

GRAIN ALLIANCE BACKGROUND

Grain Alliance is a leading agriculture producer in Ukraine, where the Company cultivates 45 000 hectares. On February 26, 1998 the American entrepreneur, Alex Oronov, laid the foundation for Grain Alliance. Originally, the Company was a provider of tilling services, but during the summer of 2008 the company leased and cultivated 2000 hectares. The cultivated area was gradually increased and by 2008 covered 27 000 hectares of land. In May 2008 the founder joined forces with a group of Swedish investors, spearheaded by the CA group and formed a new entity, Grain Alliance. The newly formed Company quickly acquired a number of farms in the Poltava region. In 2009 the old and new companies merged into one.

In conjunction with the formation of Grain Alliance a thorough reorganization and restructuring of the company's existing structures was initiated. All parts and functions of the company were developed and modern corporate governance principles were introduced. In addition to the organizational changes, capital was added that enabled the Company to acquire modern agricultural equipment and introduce contemporary agricultural practices.

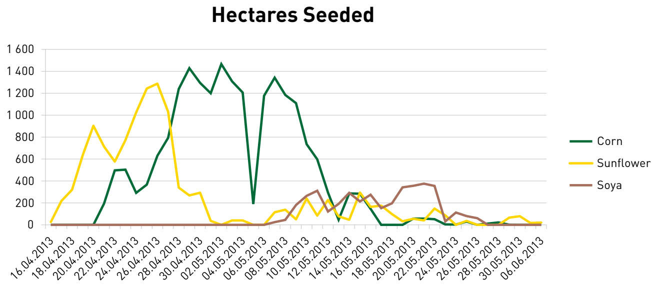
OPERATIONS & GEOGRAPHY

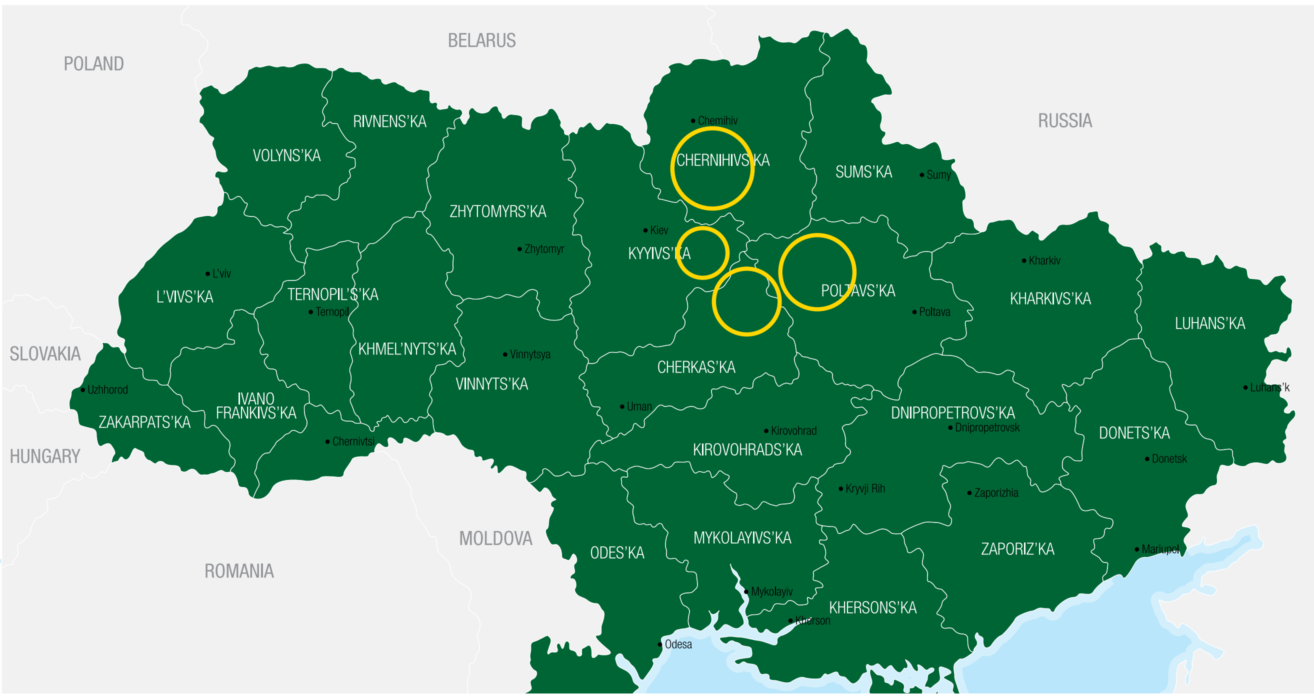
Grain Alliance's operations are located in the center of the Ukrainian black earth belt. The Company is active in four administrative regions of Ukraine: Kyiv, Poltava, Cherkassy and Chernigiv. The operations are broken down into five regions (clusters), each cultivating 8 000-12 000 hectares. Every cluster is fully equipped with modern agricultural equipment and the short distance between the regions makes efficient usage of equipment possible. Harvested crops are transported to one of the Company's four elevators, of which three have railroads.

The strategy of Grain Alliance is to cultivate land within a limited and concentrated area. The radius of the Company's core area is 80 km. The location of the fields allows for an efficient usage of resources, since transport distances for machinery, materials and harvested crops are shorter. The fact that all land is located within a couple of hours' drive from the head office makes management and control easier and better. The four central grain elevators can handle and store the produced crops in an effective way.

SEEDING CAMPAIGN 2013

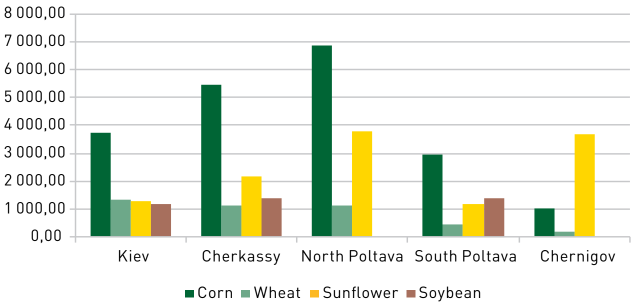
At the end of March, the central parts of Ukraine were hit by a fierce blizzard that brought the country to a halt. A state of emergency was declared on March 23, when more than 50 cm of snow fell during less than 12 hours. The large quantities of snow rapidly thawed during the week after blizzard, which in turn created obstacles for the start of the seeding. In Grain Alliance's most northernmost region, Chernigiv, a large part of the fields was flooded. The weather conditions delayed the spring seeding until April 16, which was finalized by May 30. The graph below illustrates the seeding speed per crop in hectares and days. On May 5 seeding was stopped due to heavy rainfall. Sunflower seeding was largely finished by May 1.





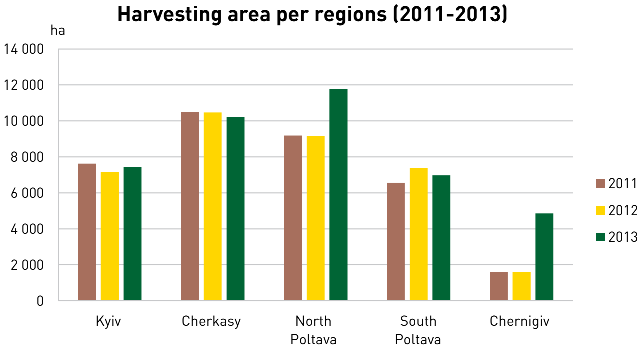
The allocation of crops within each region was relatively similar, with the exception of Chernigiv, where sunflower dominated Grain Alliance introduced new land into the crop rotation via sunflower, which explains the dominance of this crop in the Chernigiv region.

Harvested hectares per crop region 2013



Cultivated area increased in the south of the Poltava and Chernigiv regions. Competition for quality farmland has increased during the last two years.

Harvesting area per regions (2011-2013)



ALLOCATION OF CROPS

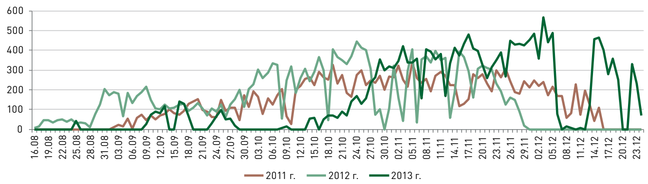
The cultivated area increased by 3 979 hectares (11%). The overall majority of the new area was brought into crop rotation by sunflower, which explains the substantial increase in sunflower. Due to delays during seeding, management also made the decision to decrease the area assigned for soybeans in favor of sunflower.

Crop	2013	2012	2011
Corn	20 083	20 137	18 349
Winter wheat	4 148	3 432	1 773
Spring wheat	-	-	2 797
Sunflower	11 802	6 937	7 867
Soybeans	3 971	4 578	2 778
Spring barley	272	1 212	296
Total	**40 276**	**36 296**	**33 860**

HARVEST

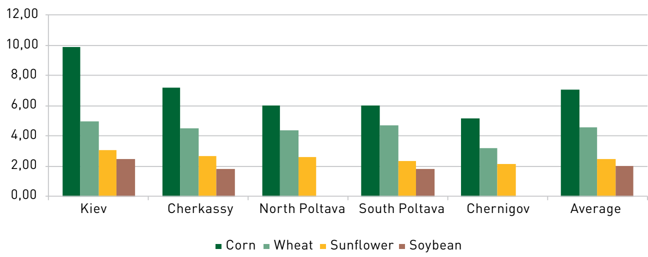
2013 was a year that offered uniquely poor weather conditions for the fall harvest. Heavy and relentless rains caused delays in all harvesting activities. As Grain Alliance's crop rotation is geared towards late spring crops (corn, sunflower and soybeans), the weather caused problems and delays.

Corn harvested, ha/day, 2011-2013



The preceding chart shows that the corn harvest was delayed by almost a month, compared to the three previous years. The persistent rains also resulted in both quality and quantity losses for soybeans and sunflower. The wet weather also caused a higher level of moisture in the harvested crops, which meant that a majority of the harvest had to be dried before storage. Increased drying volume means increased consumption of natural gas. Fortunately, Grain Alliance made significant investments in new energy efficient grain dryers during previous years, which were able to handle and dry the wet crops efficiently.

Yield per crop and region 2013



The yield per hectare lived up to expectations. Both the corn and sunflower harvest suffered from the fall rains. Chernigiv showed lower yields than the other regions, mainly due to late seeding and harvest, but also due to the fact that a large part of the cultivated area was "new" for the Company. A number of seasons have to pass before the soil has adapted and reached the same standard as the fields the Company has cultivated for several years.

PRICES 2013

The price of crops fell dramatically during 2013 as a result of the very positive global harvest. Corn was the biggest loser and the price declined by almost 40% during the year. Sunflower prices were also affected and remained at remarkably low levels. The low prices substantially affected Grain Alliance's financial result and as such the Company has tried to keep sales to a minimum during the harvest. The table below shows average prices in Ukrainian Hryvnia (UAH).

	Tons in stock 13 12 31	Sold tons 2013	Average price 2013 UAH/ton
Corn	108 573	19 493	1 240
Wheat	915	16 723	1 590
Sunflower	28 879	152	2 970
Soybeans	7 344	5 120	4 380
Total	**145 711**	**41 487**	

DIRECTORS' REPORT

PROFIT/TURNOVER

As mentioned, the price of grains dropped sharply in 2013 due to good harvests worldwide. Corn was the biggest loser, but sunflower prices were also low. This price fall obviously affected Grain Alliance's results significantly. The company therefore chose to expand its storage capacity to store the harvest and minimize sales in 2013 in anticipation of higher prices. This explains significantly lower sales revenue in 2013 compared to previous years. Net income has been negatively affected due to current accounting principles' valuing the stock at the harvest market price, which is lower than the closing date and significantly lower than the actual selling date. During the spring of 2014, the Company sold inventories at prices exceeding the inventory value at the balance sheet date. The results for 2012 and 2013 are not entirely comparable because storage capacity in 2012 was much lower. It should be noted that the IFRS accounting regulations provide an unsatisfactory view of the Company's earnings and financial position.

INVESTMENTS DURING 2013

In 2013 Grain Alliance continued (as in previous years) to make large investments in machinery and grain storage facilities. The company finalized the last phase of construction of the main grain storage facility in Piryatin by increasing storage capacity by 20 000 tons and completing the administrative building, where a new laboratory for grain analysis is planned. In addition to this the board of directors in July 2013 decided to increase the storage capacity of the elevators in Berezan and Yagotyn by 24 000 tons each. The expansion of storage capacity proceeded exceptionally fast (only 3 months) due to the fact that the company enhanced existing elevators with all the necessary infrastructure. The new elevators were connected to the existing infrastructure, dryers and conveyer system. The grain dryers had already been changed in 2011 .The construction was finished in November 2013.

STORAGE AND DRYING CAPACITY AT 2013-12-31

	Baryshevka	Berezan	Yagotin	Pirjatin
Storage cap.	15 000 t	48 000 t	50 000 t	55 000 t
Storage type	Flat warehouses	Flat warehouses and steel silos	Concrete and steel silos	Steel silos
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

In conjunction to the rapid expansion in the Chernigiv region, the machinery park at the site was modernized and new equipment was added. Today Grain Alliance's Chernigiv cluster is capable of seeding and harvesting 12 000 hectares per year.

EMPLOYEES

The average number of employees in 2013 amounted to 1 119, broken down into 267 women and 852 men. It is important to bear in mind that the number of employees varies significantly during the season.

SHAREHOLDERS

The company has 7 807 775 shares in total. The main shareholder, Ukrainian Investment AB, owns 7 437 848 shares, i.e., 95.3%. Ukrainian Investment AB is a joint ownership company for the CA group and the founder, Alex Oronov.

ENVIRONMENT AND SUSTAINABILITY

Sustainability is a key word in Grain Alliance's overall approach to large-scale farming; therefore we have adopted a structured approach to environmental sustainability issues. Grain Alliance has adopted a balanced crop rotation plan geared towards soil recovery and soil protection. This plan is based on scientific analysis of the soil. Starting in 2008, Grain Alliance has conducted yearly soil analyses of all cultivated area. The information in the analysis is the foundation for the overall sustainability strategy of the company, which aims to avoid soil exhaustion, intense soil compaction and other negative consequences for the environment. The introduction of new modern equipment has made it possible to discard old and bad equipment and to introduce contemporary agricultural practices.

HUMAN RESOURCES POLICY

Grain Alliance has an active human policy targeting personal development and growth. During 2013 key staff were offered education and training in the areas of agronomy, agricultural technology, financial management, administration and and English. This will continue in future years.

RISK

The Company's operations are fully located in Ukraine. As such, operations are exposed to risks in the form of volatile commodity markets, climate and other external factors affecting the soil and crops. The fact that operations are in Ukraine also implies higher economic and political risks than, for instance, in Sweden. The political disturbance that began in November 2013 has not affected the results for the period significantly. Grain Alliance is actively involved in discussions with agricultural associations and organizations in Ukraine, the relevant authorities and the Swedish embassy in Ukraine to minimize these risks. For more information about risks and risk management, please see note 27.

IMPORTANT EVENTS DURING THE REPORTING PERIOD

The substantial expansion in the Chernigiv region was a large step for the Company since it is a region where the company does not have storage and drying facilities. In conjunction with the expansion, territory with railroad access was acquired outside the city of Nezhyn in the Chernigiv region, where a new elevator is planned. In addition to this the soy calibration factory in Baryshevka was finalized and overall storage capacity was increased by 24 000 tons in Berezan, 24 000 tons in Yagotyn and 20 000 tons in Piryatin.

Due to the unusually low grain prices in the fall of 2013, the Board decided, in consultation and agreement with the banks, to sell as little as possible of the harvest to wait for higher prices. One result of this strategy was a departure from the amortization plan for the existing loan portfolio. The company has formally breached its financial commitments and is reporting (per IAS 1, para. 74) these liabilities as current even though no amortization will happen. The loans will be renegotiated in 2014. Based on the forecast and cash flow budget for 2014, management estimates that the company's financing is secured.

IMPORTANT EVENTS AFTER THE END OF THEREPORTING PERIOD

During the first quarter of 2014, 100 826 tons of corn were sold at an average gross price of 1 650 UAH/ton. In addition, 23 000 tons of sunflower at 4 250 UAH/ton, and 1 348 tons soya at 5 580 UAH/ton, were sold. The sales prices were significantly higher than the prices that formed the basis for the valuation of closing stocks in 2013. During the first quarter of 2014, crops were sold at an average of 57% higher prices than the book value at 2013-12-31.

In February 20, 2014 demonstrations in Kiev reached their peak and the president, Viktor Yanukovych, was forced to leave office and flee to Russia. An interim government was put in place and new elections were announced to take place on May 25, 2014. The conflict continued, in particular, on the Crimean peninsula, which shortly thereafter was declared an independent part of the Russian Federation. In parallel, the situation in the eastern parts of the country became very unstable with demonstrations and gunfire. Grain Alliance's operations are located in regions that have not been affected by the conflict and it has not had any direct impact on operations. Interest rates have gone up and the general business climate is worse. The company has taken measures in order to be ready if the situation deteriorates further.

The political instability and the weak domestic economy have made the local currency Hryvnia (UAH) fall sharply in 2014. The currency has declined in value from 1 UAH:SEK 0.8132 at 2013-12-31 to 1 UAH:SEK 0.5926 at 2014-03-31. Grain Alliance has deliberately avoided liquidating its stock. We prefer to hold grains in stock because their value is strongly correlated to the US dollar (USD). This makes operations more dependent on the development of the USD than the UAH.

PLANS FOR THE FUTURE

The Company will continue to produce crops in Ukraine and if possible increase the cultivated area. The Company believes that one of the continuing critical success factors is to have the storage capacity to fend off price fluctuations. As such, additional storage capacity will be added in the coming years. The planned expansion will take place in the regions where the company already has substantial operations. In the Chernigiv region, the Company has acquired a land plot with the goal of constructing a new elevator with direct railroad access. No major change in the allocation of crops is foreseen.

KEY RATIOS

	2013	2012	2011	2010
Turnover, KSEK	86 289	315 738	183 026	160 969
Operating profit/loss, KSEK	(68 753)	56 547	57 721	(4 314)
Profit after financial items, KSEK	(77 352)	43 403	37 637	(23 457)
Equity ratio %	42,7 %	77,9 %	74,4 %	30,3 %
Cash Flow, KSEK	(52 776)	56 678	(3 293)	(4 245)

OUTLINE OF THE PARENT COMPAN Y RESULTS

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

Retained earnings	240 760 647 SEK
Net profit/loss for the year	(9 651 618 SEK)
	231 109 029 SEK

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

To be carried forward	231 109 029 SEK
	231 109 029 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

		The Group		The Parent Company	
	Notes	**2013**	**2012**	**2013**	**2012**
Revenue from sales	5	86 289	315 738	-	-
Net gain / (loss) on fair value measurement of biological assets and agricultural produce	16	(3 972)	42 906	-	-
Cost of sales	6, 12	(111 228)	(289 141)	-	-
Gross profit		**(28 911)**	**69 503**	**-**	**-**
Other operating income	7	6 016	33 961	-	-
Selling, general and administrative expenses	8, 12	(34 686)	(34 901)	(7 992)	(7 201)
Selling expenses	8, 12	(4 082)	(3 564)	-	-
Other operating expenses	9	(7 090)	(8 452)	-	-
Operating profit / (loss)		**(68 752)**	**56 547**	**(7 992)**	**(7 201)**
Finance costs	10	(11 760)	(8 274)	(4 080)	(3 983)
Finance income	11	520	2 076	2 552	1
Foreign exchange gain		2 641	(6 946)	(132)	(4 025)
Profit / (loss) before tax		**(77 352)**	**43 403**	**(9 652)**	**(15 208)**
Income tax expense	29	-	-		
Profit / (loss) for the year		**(77 352)**	**43 403**	**(9 652)**	**(15 208)**
Whereof attributed to equity holders of the company		(77 352)	43 403		
Other comprehensive income					
Foreign exchange differences		559	(16 888)	-	-
Tax effect	-	-	-	-	
Total comprehensive income for the year		**(76 793)**	**26 515**	**(9 652)**	**(15 208)**
Whereof attributed to equity holders of the company		**(76 793)**	**26 515**		

	Notes	The Group 2013	The Group 2012	The Parent Company 2013	The Parent Company 2012
Non-current assets					
Intangible assets	12	-	24 557	-	-
Property, plant and equipment	14	218 154	174 934	-	-
Shares in subsidiaries	15	-	-	256 714	256 616
Biological assets	17	2 682	3 403	-	-
Other non-current assets	18	1 970	788	-	-
		222 806	203 682	256 714	256 616
Current assets					
Inventories	18	187 791	60 452	-	-
Biological assets	17	7 886	8 193	-	-
Trade and other receivables	19	1 663	2 344	-	-
Receivable subsidiary	19	-	-	55 830	11 763
Other current assets	19	29 939	16 058	1 208	1 691
Cash and cash equivalents	20	2 673	55 412	1 818	47 085
		229 952	142 459	58 856	60 539
Total assets		**452 758**	**346 140**	**315 570**	**317 155**
Equity					
Issued capital	21	11 556	11 556	11 556	11 556
Other contributed capital		278 295	278 295	-	-
Retained earnings		(64 787)	12 565	231 109	240 761
Foreign currency translation reserve		(31 921)	(32 480)	-	-
		193 143	**269 936**	**242 665**	**252 317**
Non-current liabilities					
Liability to non-controlling interests	10	3 250	3 444	-	-
Loans and borrowings relative parties	22	53 264	52 161	56 379	55 755
		56 514	55 605	56 379	55 755
Current liabilities					
Loans and borrowings bank	22	172 506	-	-	-
Loans and borrowings relative parties		16 231	8 847	15 723	8 847
Trade and other liabilities	22	13 466	10 816	771	205
Other current liabilities	23	898	936	32	32
		203 101	**20 599**	**16 526**	**9 084**
Total liabilities		**259 615**	**76 204**	**72 905**	**64 839**
Total equity and liabilities		**452 758**	**346 140**	**315 570**	**317 156**
Pledged assets					
Property, plant and equipment		102 635	-	-	-
Inventories		137 698	-	-	-

THE GROUP

	Issued capital	Other contributed capital	Retained earnings	Foreign exchange differences	Total equity
Balance at 31 December 2011	**11 556**	**278 295**	**(30 837)**	**(15 592)**	**243 422**
Profit for the year Loss for the year			43 403		43 402
Other comprehensive income				(16 888)	(16 888)
Total comprehensive income			43 403	(16 888)	26 514
Transactions with owners					
Issue of capital					
Balance at 31 December 2012	**11 556**	**278 295**	**12 565**	**(32 480)**	**269 936**
Profit for the year			(77 352)		(77 352)
Other comprehensive income				559	559
Total comprehensive income			(77 352)	559	(76 793)
Transactions with owners					
Issue of capital					
Balance at 31 December 2013	**11 556**	**278 295**	**(64 787)**	**(31 921)**	**193 143**

THE PARENT COMPANY

	Issued capital	Other contributed capital	Retained earnings	Total equity
Balance at 31 December 2011	**11 556**	**278 295**	**(22 326)**	**267 525**
Loss for the year			(15 208)	(15 208)
Total comprehensive income			(15 208)	(15 208))
Transactions with owners				
Issue of capital	-	-		-
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**

Consolidated and Parent Company's statements of cash flows (in thousands of SEK)

	The Group		The Parent Company	
	2013	**2012**	**2013**	**2012**
Operating activities				
Profit / (loss) before tax	(77 352)	43 402	(9 652)	(15 208)
Non-cash adjustments:				
Depreciation and amortisation	43 225	39 561	-	-
Gain on sales of fixed assets	(525)	-	-	-
Finance income	(519)	(577)	(3 156)	(1)
Foreign exchange gain	(2 641)	6 946	-	-
Finance costs	6 102	3 927	4 816	8 008
Non-controlling interests	(194)	(230)	-	-
Write down of property, plant and equipment	-	1 521	-	-
Working capital adjustments:				
Change in biological assets	1 543	(2 784)	-	-
Change in trade receivables and other current assets	(13 200)	(6 536)	(43 207)	55 575
Change in agricultural produce and other inventories	(127 377)	40 623	-	-
Increase in trade and other payables and other current liabilities	2 612	(4 952)	8 066	2 640
	(168 326)	**120 901**	**(43 133)**	**51 014**
Interest received	519	577	2 042	1
Income tax paid	-	-	-	-
Net cash flows from operating activities	**(167 807)**	**121 478**	**(41 091)**	**51 015**
Investing activities				
Purchase of property, plant and equipment	(65 045)	(50 591)	-	-
Prepayments for land lease rights	2 090	7 304	-	-
Proceeds from (payments for) other non-current assets, net	454	1 592	-	-
Proceeds from sale of assets classified as held for sale	-	-	-	-
Purchase of financial assets	-	-	(98)	(65)
Net cash flows used in investing activities	**(62 501)**	**(41 695)**	**(98)**	**(65)**
Financing activity				
Proceeds from loans and borrowings	248 403	59 542	-	-
Repayment of loans and borrowings	(64 769)	(78 720)	-	-
Issue of capital	-	-	-	-
Interest paid	(6 102)	(3 927)	(4 080)	(3 983)
Net cash flows from financing activities	**177 532**	**(23 105)**	**(4 080)**	**(3 983)**
Net change in cash and cash equivalents	(52 776)	56 678	(45 269)	46 967
Foreign exchange difference cash	36	(3 608)	-	-
Cash and cash equivalents at 1 January	55 412	2 342	47 087	120
Cash and cash equivalents at 31 December	**2 672**	**55 412**	**1 818**	**47 087**

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Notes to the Consolidated and Parent Company's financial statements (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	2013	2012
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%
Grain Alliance Agroinvest Limited	HE281193	Cyprus	Dormant	100%	100%
Grain Alliance Holding Limited	HE281173	Cyprus	Dormant	100%	100%
Agrido LLC	38146829	Ukraine, Baryshevka	Dormant	100%	100%
Charity Foundation "Development of the village"	38467802	Ukraine, Baryshevka	Charity fond	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 2013, no changes in the Group structure took place.

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 domestic politics in particular Ukraine. Ukraine's domestic policy is right now characterized by tensions between west and the eastern forces. In addition, there has not been any reforms of the economic system introduced. Contradictions led to the Orange revolution in 2004 and the Euromajdan in 2014, where mass protests resulted in political disturbance. The Euromajdan led to that the president, Viktor Yanukovitj, deposited in February 2014. As a consequence there was an occupation of the Crimea area which led to an internal political destabilization. The situation in the 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 in the spring of 2014.

2. BASIS OF PREPARATION

These consolidated financial statements were approved for issue by management on 16 of June 2014. The Board has presented the annual report for publication on 9 June 2014.

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 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 Dec. 2013.

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

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 approximates 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

» WORLD POVERTY CANNOT BE REDUCED WITHOUT IMPROVEMENTS IN AGRICULTURE AND FOOD SYSTEMS «

UNITED NATIONS SECRETARY GENERAL BAN KI-MOON

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 23.

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.

INTANGIBLE ASSETS

Intangible assets are represented by land lease rights. The land lease rights acquired as part of a business combination are initially measured at fair value and amortised over the period of the underlying leases. The period of amortisation is within the range of 5 years. The carrying value of land lease rights is assessed for impairment whenever there is an indication that the lease rights may be impaired.

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.

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.

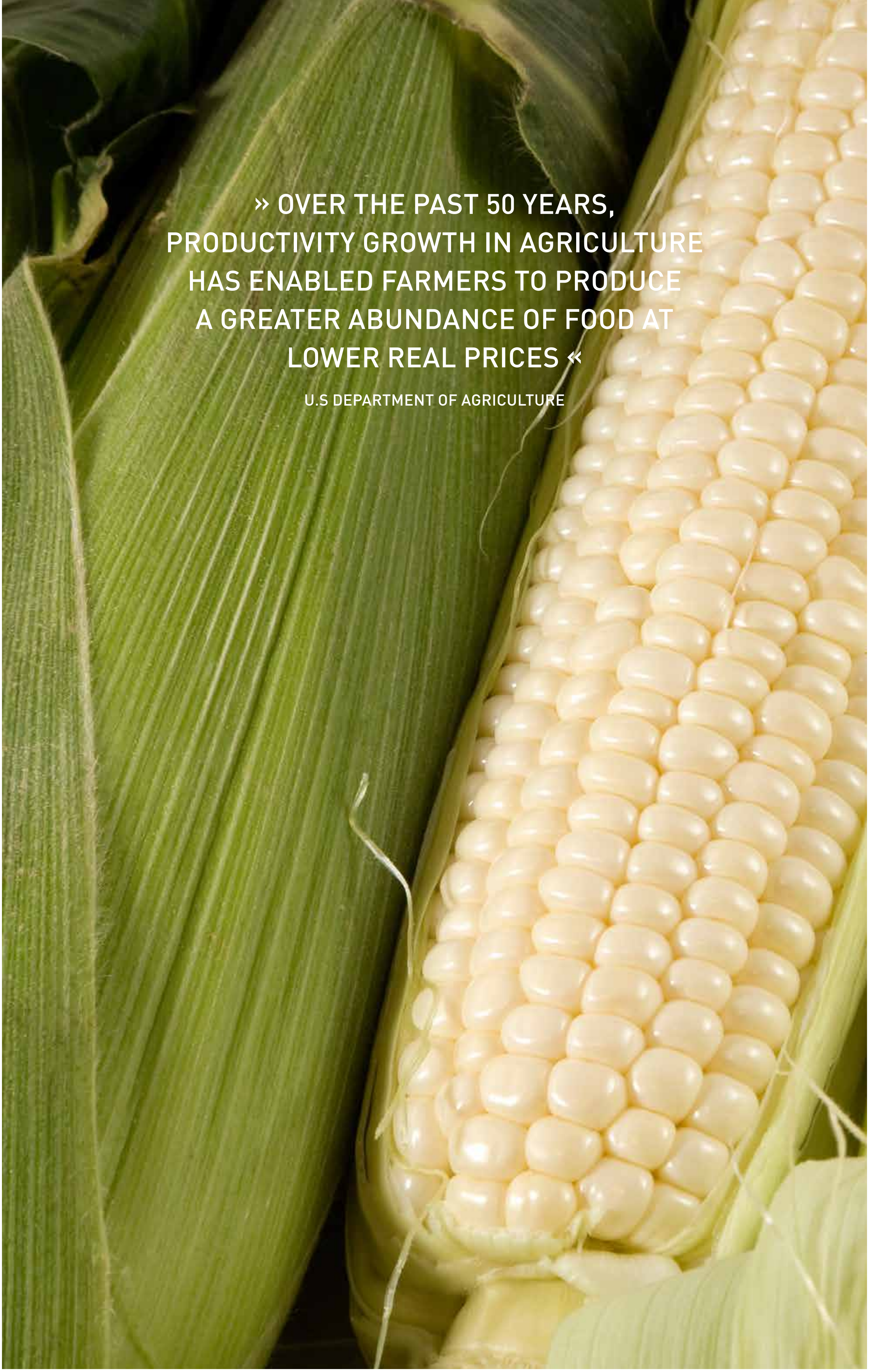
TAXATION

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 2012, 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 does not recognize any variable tax expense based on the results, see writing above.



» OVER THE PAST 50 YEARS, PRODUCTIVITY GROWTH IN AGRICULTURE HAS ENABLED FARMERS TO PRODUCE A GREATER ABUNDANCE OF FOOD AT LOWER REAL PRICES «

U.S DEPARTMENT OF AGRICULTURE

Value added tax
Revenues, expenses, assets and liabilities are recognised net of the amount of value added tax ("VAT") except where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognised as part of the cost of acquisition of the asset or as part of expense item as applicable.

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.

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 for the investment in prior years. Such reversal is recognised in the statement of comprehensive income.

STANDARDS ISSUED BUT NOT YET EFFECTIVE
During the year, the new standard IFRS13 and the revised standards IAS1, IAS19 and IFRS7 been applied. The Company has early adopted the amended IAS36. 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 2014 or later and have not been applied in preparing these financial statements and is not expected to have any effect on BZK Grain Alliance AB's earnings and financial position.

- IFRS 9 Financial instruments (2018)
- IFRS 10 Consolidated Financial Statements (2014)
- IFRS 11 Joint Arrangements (2014)
- IFRS 12 Disclosurees of interest other Entities (2014)

Improvement projects in 2013:
- IAS 16 Property, Plant och Equipment
- IAS 12 Income Tax
- IAS 32 Financial Instruments
- IAS 34 Interim Financial Reporting

These improvements are not expected to have any impact on the Group's results and financial position.

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.

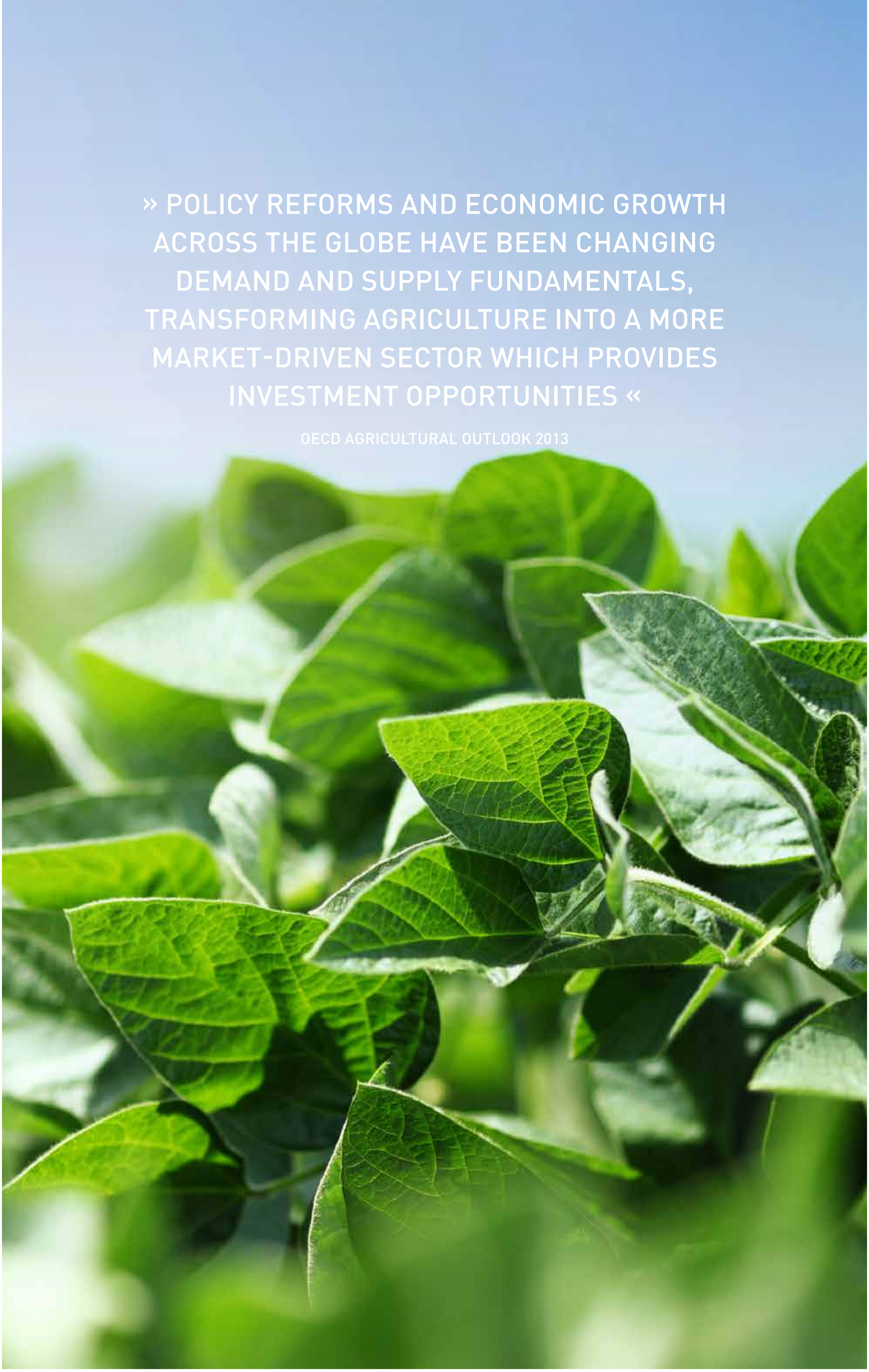
Weather

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.

» POLICY REFORMS AND ECONOMIC GROWTH ACROSS THE GLOBE HAVE BEEN CHANGING DEMAND AND SUPPLY FUNDAMENTALS, TRANSFORMING AGRICULTURE INTO A MORE MARKET-DRIVEN SECTOR WHICH PROVIDES INVESTMENT OPPORTUNITIES «

OECD AGRICULTURAL OUTLOOK 2013



Notes to the Consolidated and Parent Company's financial statements (in thousands of SEK)

5. REVENUE FROM SALES

The Group	2013	2012
Corn	13 235	212 405
Sunflower	306	58 237
Wheat	18 555	17 229
Milk	5 634	4 652
Soy	38 256	13 556
Barley	561	4 239
Other	5 521	-
	82 068	310 318
Auxiliary agricultural services	4 221	5 420
	86 289	**315 738**

Revenues from four major customers, each individually exceeding 10% of total revenue, amounted to SEK 77 952 (2012: three customers – SEK 269 404).

6. COST OF SALES

The Group	2013	2012
Depreciation of intangible assets	22 447	23 185
Depreciation of property, plant and equipment	19 353	15 561
Cost of auxiliary agricultural services	1 361	1 209
Other cost of sales	68 067	249 186
	111 228	**289 141**

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 not 8, represents the Company's total depreciation

7. OTHER OPERATING INCOME

The Group	2013	2012
VAT retained (i)	3 965	30 828
Gain on accounts payable written off	589	1 804
Government subsides recognized as income	678	52
Received penalties	-	1 150
Gain on disposal of inventories	526	-
Other income	258	127
	6 016	**33 961**

(i) VAT retained represents VAT attributable to the qualifying sales of the Group's agricultural producers, which, according to the Ukrainian legislation (Note 3) is not payable to the budget.

8. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses

	The Group		The Parent Company	
	2013	**2012**	**2013**	**2012**
Payroll and related taxes	14 358	16 124	2 321	1 724
Professional services (i)	12 318	12 527	5 671	5 477
Fuel and other materials used	1 766	1 690	-	-
Services provided by third parties	1 693	2 104	-	-
Depreciation expenses	1 341	1 067	-	-
Repair and maintenance expenses	1 821	544	-	-
Representative costs and business trips	228	371	-	-
Other expenses	1 160	473	-	-
	34 686	**34 901**	**7 992**	**7 201**

Selling expenses

	The Group		The Parent Company	
	2013	**2012**	**2013**	**2012**
Payroll and related taxes	2 340	687	-	-
Professional services (i)	42	-	-	-
Fuel and other materials used	784	532	-	-
Services provided by third parties	550	2 284	-	-
Depreciation expenses	84	-	-	-
Repair and maintenance expenses	28	17	-	-
Representative costs and business trips	1	-	-	-
Other expenses	253	44	-	-
	4 082	**3 564**	**-**	**-**

Audit fees for the parent company and the Group in year 2013 and 2012 relates to fees payable to Ernst & Young. Audit fees included in the general and administrative costs are as follows:

Notes to the Consolidated and Parent Company's financial statements (in thousands of SEK)

	The Group		The Parent Company	
	2013	2012	2013	2012
Audit assignment fees	843	615	843	615
Audit work not related to ordinary audit assignment	-	554	-	554
Tax advice	-	-	-	-
Other assignments	-	-	-	-
	843	**1 169**	**843**	**1 169**

9. OTHER OPERATING EXPENSES

The Group	2013	2012
Charity expenses	3 113	5 347
Result on disposal of inventories	(149)	1 019
Increase in bad debt allowance for trade receivables	1 090	1 538
Write off of unrecoverable VAT	-	-
Crops losses (i)	892	-
Cost of goods sold	323	-
Other expenses	1 822	548
	7 090	**8 452**

(i) 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.

10. FINANCE COSTS

	The Group		The Parent Company	
	2013	2012	2013	2012
Interest on loans and borrowings	11 282	8 066	4 080	3 983
Non-controlling interests	-	(230)	-	-
Convertible loans charges	478	438	-	-
Finance lease charges	-	-	-	-
	11 760	**8 274**	**4 080**	**3 983**

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.

11. FINANCE INCOMES

	The Group		The Parent Company	
	2013	2012	2013	2012
Interest income	520	2 076	2 552	1
	520	**2 076**	**2 552**	**1**

12. DEPRECIATION

The Group	2013	2012
Depreciation intangible assets (within cost of sales)	22 447	23 185
Depreciation property, plant and equipment (within cost of sales)	19 353	15 561
Depreciation general and administrative expenses (within general and administrative expenses)	1 341	1 067
Depreciation selling expenses (within selling expenses)	84	-
	43 445	**39 813**

13. INTANGIBLE ASSETS

The movement in intangible assets was as follows:

The Group	2013	2012
Cost		
At 1 January	**106 554**	**113 855**
Additions	-	-
Foreign currency translation differences	75	(5 986)
	(2 169)	(1 318)
At 31 December	**104 460**	**106 554**
Accumulated amortisation		
At 1 January	**(81 994)**	**(63 015)**
Charge for the year	(22 447)	(23 185)
Foreign currency translation differences	(19)	4 206
At 31 December	**(104 460)**	**(81 994)**
Net book value		
At 1 January	**24 557**	**50 840**
At 31 December	**-**	**24 557**

Intangible assets include land lease rights acquired by the Group in business combinations. Land lease rights are amortised over the lease term on a straight line basis.

Notes to the Consolidated and Parent Company's financial statements (in thousands of SEK)

14. PROPERTY, PLANT AND EQUIPMENT

	The Group					
	Building & Constructions	Plant & Equipment	Vehicles	Furniture & fittings	Construction in progress	Total
Cost						
As at 1 January 2012	**62 407**	**53 967**	**41 950**	**1 333**	**18 388**	**178 045**
Additions	-	-	-	-	50 845	50 845
Transfer	10 555	31 577	8 309	1 519	(51 960)	-
Disposals	(571)	(827)	(150)	(131)	(488)	(2 167)
Foreign currency translation differences	(4 415)	(4 715)	(3 026)	(142)	(1 116)	(13 413)
As at 31 December 2012	**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**
Depreciation						
As at 1 January 2012	**(4 941)**	**(8 592)**	**(10 786)**	**(305)**	**-**	**(24 624)**
Depreciation for the year	(2 744)	(6 802)	(6 640)	(442)	-	(16 628)
Disposals	161	358	73	55	-	646
Foreign currency translation differences	422	814	959	34	-	2 231
As at 31 December 2012	**(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)**
Net book value						
As at 31 December 2021	**60 873**	**65 781**	**30 689**	**1 922**	**15 669**	**174 934**
As at 31 December 2013	**105 611**	**100 902**	**8 424**	**3 053**	**164**	**218 154**

As at 31 December 2013, a value of 102 635 regarding property, plant and equipment was pledged as a security for the bank loans (2012: SEK 0 - 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	2013	2012
Cost	-	-
Accumulated depreciation	-	-

15. SHARES IN SUBSIDIARIES

	The Parent Company
As at 1 January 2012	256 551
Purchase price	65
As at 31 December 2012	256 616
Investments in subsidiaries	98
As at 31 December 2013 (i)	256 714

(i)	2013	2012
Barishevskya Grain Company LLC	256 367	256 367
Grain Alliance Agroinvest Ltd	92	92
Grain Alliance Holding Ltd	92	92
Agrido LLC	163	65
	256 714	**256 616**

» RECENT DEVELOPMENTS IN FOOD SYSTEMS AND VALUE CHAINS HAVE YIELDED POSITIVE RESULTS «

FOOD AND AGRICULTURE ORGANISATION OF THE UNITED NATION

Notes to the Consolidated and Parent Company's financial statements (in thousands of SEK)

16. OTHER NON-CURRENT ASSETS

	The Group	
	2013	**2012**
Prepaid lease expenses (i)	1 705	-
Value added tax (Note 3)	-	525
Other non-current assets	265	263
	1 970	**788**

(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 2012		**4 843**	**3 970**	**8 813**
Increase due to purchases and subsequent expenditures		222 993	897	223 890
Decrease due to crops harvest	(i)	(262 151)	-	(262 151)
Decrease due to sales		-	(1 154)	(1 154)
Net gain / (loss) arising from changes in fair value of biological assets and agricultural produce (less cost to sell)	(ii)	40 267	2 639	42 906
Livestock losses		-	-	-
Currency translation differences		(356)	(352)	(708)
Carrying amount at 31 December 2012	(iii)	**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**

(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 2013 and 2012 was as follows:

	The Group			
	2013		**2012**	
	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	140 645	114 596	142 104	149 982
Sunflower	29 933	71 147	18 328	50 714
Wheat	19 537	30 552	14 971	15 424
Soybean	8 025	20 165	9 219	37 672
Barley	383	551	3 551	3 305
Other	-	1 315	6 584	5 054
	198 523	**238 326**	**194 757**	**262 151**

(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			
	2013		**2012**	
	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	4,15	1 077	5	1 219
Winter rye	-	-	4	1 219
Winter barley	-	-	-	-
Corn	6,74	764	-	-
Soybean	2,34	2 710	-	-
Sunflower	2,24	2 236	-	-

(iii) Biological assets as at 31 December comprised:

Livestock

	The Group			
	2013		**2012**	
	Number, heads	*Number, heads*	*Number, heads*	*Carrying value*
Cattle	1 041	4 782	1 042	5 599
Pigs	678	472	490	364
Horses	57	42	49	37
Others	-	57	-	-
	1 776	**5 312**	**1 581**	**6 000**

Livestock at 31 December 2013 comprises SEK 2 682 of non-current biological assets (2012: SEK 3 403).

Notes to the Consolidated and Parent Company's financial statements (in thousands of SEK)

Plants

	The Group			
	2013		2012	
	Hectares	*Carrying amount*	*Hectares*	*Hectares*
Winter wheat	4 531	5 256	4 256	5 380
Winter rye	-	-	76	216
Winter barley	-	-	-	-
	4 531	**5 256**	**4 332**	**5 596**

18. INVENTORIES

	The Group	
	2013	2012
Agricultural produce (at fair value less costs to sell or net realisable value) (i)	155 518	27 317
Work in progress (at cost) (ii)	22 648	27 363
Raw materials (at cost) (iii)	7 291	4 603
Fertilizer, herbicide and pesticide (at cost)	1 704	670
Other inventories (at cost)	630	500
	187 791	**60 452**

(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		The Parent Company	
Trade and other receivables	2013	2012	2013	2012
Trade receivables	1 009	1 873	-	-
Trade receivables due from related party (Note 25)	-	-	55 830	11 763
Loans issued to employees	758	658	-	-
Less: bad debt allowance	(104)	(187)	-	-
	1 663	**2 344**	**55 830**	**11 763**
Other current assets				
Deferred expenses	1 215	1 719	-	-
Advances paid	9 172	13 735	1 173	1 688
VAT recoverable	17 532	435	23	23
Other	2 020	169	12	-
	29 939	**16 058**	**1 208**	**1 691**

	The Group
	Provision for bad debts
As at 1 January 2012	**390**
Charge for the year	195
Used amounts (ii)	(380)
Foreign exchange translation difference	(18)
As at 31 December 2012	**187**
Charge for the year	38
Used amounts (ii)	(38)
Foreign exchange translation difference	-
As at 31 December 2013	**187**

(ii) relates to bad debt loss that has been established during the year

20. CASH AND CASH EQUIVALENTS

	The Group		The Parent Company	
	2013	2012	2013	2012
Cash:				
- on bank accounts	2 584	55 379	1 818	47 085
- on hand	89	33	-	-
	2 673	**55 412**	**1 818**	**47 085**

21. SHARE CAPITAL

The registered share capital amounts to SEK 11 556 (2012: SEK 11 556) and consists of 7 807 775 shares (2012: 7 807 775 shares). BZK Grain Alliance AB only has one class of shares carrying equal voting power.

Notes to the Consolidated and Parent Company's financial statements (in thousands of SEK)

22. LOANS AND BORROWINGS

As at 31 December 2013 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	-	69 495
			188 737	**53 264**	**242 001**
The Parent Company					
Related party (Note 25)	SEK	3,5-7%	15 723	56 379	72 102
			15 723	**56 379**	**72 102**

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					
Related party (Note 24)	SEK	3,5-7%	8 847	52 161	61 008
			8 847	**52 161**	**61 008**
The Parent Company					
Related party (Note 25)	SEK	3,5-7%	8 847	55 755	64 602
			8 847	**55 755**	**64 602**

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 2013 was SEK 36,9 million (2012: 36,5 million), and the equity portion was approximately 4.8 million SEK.

23. TRADE AND OTHER LIABILITIES, OTHER CURRENT LIABILITIES

	The Group 2013	2012	The Parent Company 2013	2012
Trade and other liabilities				
Trade liabilities	6 317	5 909	18	65
Payroll and related taxes	3 252	2 578	253	140
Unused vacations accrual	3 397	2 273	-	-
Liabilities related to acquisition of subsidiary	-	-	-	-
Other	500	56	500	-
	13 466	**10 816**	**771**	**205**
Other current liabilities				
Value added tax	-	68	-	-
Other taxes	-	188	-	-
Advances received	245	297	-	-
Income tax payable	270	-	-	-
Other	383	383	32	32
	898	**936**	**32**	**32**

24. NUMBER OF EMPLOYEES AND EMPLOYEE BENEFITS

Number of employees

	2013 Women	Men	Total	2012 Women	Men	Total
Sweden	-	1	1	-	1	1
Ukraine	267	851	1 118	244	730	974
	267	**852**	**1 119**	**244**	**731**	**975**

The management of the Group consists of 100% male.

Employee benefits

The Parent Company	2013	2012
Board and senior executives	1 609	1 125
Other employees	-	-
Pension costs	195	197
Social security costs	518	401
	2 322	**1 723**

Notes to the Consolidated and Parent Company's financial statements (in thousands of SEK)

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

The Group	2013	2012
Board and senior executives	3 263	2 065
Other employees	32 220	31 779
Pension costs Board and senior executives	820	556
Pension costs other employees	12 169	11 602
Social security costs	518	401
	48 990	**46 403**

25. RELATED PARTY DISCLOSURES

Ultimate Controlling Party

As at 31 December 2013 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, a citizen of Sweden, 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	2013	2012
Entity under common control		
Loans and borrowings	(67 699)	(60 232)
Of which:		
CA Investment AB	(14 784)	(7 935)
CA Agroinvest AB	(51 517)	(50 984)
Ukrainian Investment AB	(1 398)	(1 313)
Trade and other receivables	4	3 960
Of which:		
UkrEtanol LLC	-	3 247
Svitanok Ltd	-	212
Radovenyuk E.A	-	500
Bereznyaki F.G	4	1
Other current assets	462	270
Of which:		
Bezsmertniy V.P	-	251
Svitanok Ltd	105	19
Radovenyuk E.A	77	-
Radovenyuk A.F	280	-

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

The Group	2013	2012
Entities under common control		
Interest expenses	(3 552)	(3 425)
Of which:		
CA Investment AB	(352)	(217)
CA Agroinvest AB	(3 115)	(3 123)
Ukrainian Investment AB	(85)	(85)
Purchase of services	(1 906)	(4 389)
Of which:		
Radovenyuk E.A	(1 232)	(1 039)
Radovenyuk A.F	(674)	(736)
UkrEthanol LLC	-	(2 614)
Purchases of seeds	(1 563)	(779)
Of which:		
UkrEthanol LLC	(1 563)	-
Bereznyaki	-	(779)
Purchases of property, plant and equipment	(26 939)	(9 400)
Of which:		
UkrEthanol LLC	(26 726)	(8 947)
Slaviya Ltd	(213)	(453)

Compensation to key management personnel

For the year ended 31 December 2013, remuneration paid by the Group to key management personnel was SEK 4 083 (2012: SEK 2 466). Compensation included contractual salaries and related taxes.

Key management personnel consists of six individuals as at 31 December 2013 (2012: six).

THE PARENT COMPANY

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

	2013	2012
Entity under common control		
Loans and borrowings (Note 22)	(67 699)	(60 232)
Of which:		
CA Investment AB	(14 784)	(7 935)
CA Agroinvest AB	(51 517)	(50 984)
Ukrainian Investment AB	(1 398)	(1 313)
Subsidiary		
Trade and other receivables	55 830	11 763
- Baryshevski Grain Company LLC		

Notes to the Consolidated and Parent Company's financial statements (in thousands of SEK)

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

	2013	2012
Interest expenses	(3 552)	(3 425)
Of which:		
CA Investment AB	(352)	(217)
CA Agroinvest AB	(3 115)	(3 123)
Ukrainian Investment AB	(85)	(85)

Compensation to key management personnel

For the year ended 31 December 2013, remuneration paid to key management personnel is SEK 2 126 (2012: SEK 1 526). Compensation comprised the contractual salary and related taxes.

Key management personnel consist of one individual as at 31 December 2013 (2012: one).

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.

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 2013 was 40 145 (2012: 29 933).

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

	2013	2012
Up to 12 months	38 901	27 788
1-5 years	70 515	51 267
Over 5 years	19 201	12 588
	128 617	**91 643**

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIESS

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 2013 and 2012. 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 2013 and 2012.

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 loss before tax.

Notes to the Consolidated and Parent Company's financial statements (in thousands of SEK)

	Change in basis points	Effect on profit before tax	
		The Group	The Parent Company
2013			
Change in interest rate (LIBOR)	33	(265)	(53)
Change in interest rate (LIBOR)	(33)	265	53
2012			
Change in interest rate (LIBOR)	23,2	(21)	(21)
Change in interest rate (LIBOR)	(23,2)	21	21

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 loss before tax.

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 loss before tax.

	Change in basis points	Effect on profit before tax	
		The Group	The Parent Company
2013			
Change in USD exchange rate	30%	(34 967)	17 367
Change in USD exchange rate	-5%	5 828	(2 894)
2012			
Change in USD exchange rate	15%	9 558	9 442
Change in USD exchange rate	-15%	(9 558)	(9 442)

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 and Parent Company's financial statements (in thousands of SEK)

	The Group					The Parent Company				
	Payable on demand	Less than 3 months	3 to 12 months	1 to 5 years	Total	Payable on demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
31 December 2013										
Loans and borrowings, principal amount	-	136 228	44 030	48 549	228 807	-	-	15 723	51 664	67 387
Interest payable	-	5 664	2 815	4 715	13 194	-	-	-	4 715	4 715
Trade and other liabilities (Note 23)	-	3 773	10 591	-	14 364	-	803	-	-	803
	-	**145 665**	**57 436**	**53 264**	**256 365**	**-**	**803**	**15 723**	**56 379**	**72 905**
31 December 2012										
Loans and borrowings, principal amount	-	-	8 847	48 071	56 918	-	-	8 847	51 664	60 511
Interest payable	-	-	-	4 091	4 091	-	-	-	4 091	4 091
Trade and other liabilities (Note 23)	-	3 579	8 172	-	11 751	-	237	-	-	237
	-	**3 579**	**17 019**	**52 162**	**72 760**	**-**	**237**	**8 847**	**55 755**	**64 839**

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 2013						
Trade and other receivables	36	1 663	-	-	-	1 698
	36	**1 663**	**-**	**-**	**-**	**1 698**
31 December 2012						
Trade and other receivables	23	2 344	-	-	-	2 367
	23	**2 344**	**-**	**-**	**-**	**2 367**

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 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**
31 December 2012						
Receivable subsidiary	11 763	-	-	-	-	11 763
Trade and other receivables	23	-	-	-	-	23
	11 786	**-**	**-**	**-**	**-**	**11 786**

Notes to the Consolidated and Parent Company's financial statements (in thousands of SEK)

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 Group		The Parent Company	
	2013	2012	2013	2012
Loans and borrowings	242 001	61 008	72 102	64 602
Trade and other liabilities	14 364	11 752	803	237
Less cash and cash equivalents	(2 673)	(55 412)	(1 818)	(47 085)
Net debt	253 692	17 348	71 087	17 754
Equity	193 143	269 936	242 665	252 317
Total equity and net debt	446 835	287 284	313 752	270 071
Gearing ratio	**57 %**	**6%**	**23 %**	**6%**

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 2013 was because we had a large amount of crops in stock. In early 2014, 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*	
	2013	2012	2013	2012
Loans and receivables				
Cash and cash equivalents	2 673	55 412	2 673	55 412
Trade and other receivables	1 663	2 344	1 663	2 344
Other financial liabilities				
Trade and other liabilities	14 364	11 752	14 364	11 752
Loans and borrowings	242 001	61 008	242 001	61 008

The Parent Company

	Carrying amount		*Fair value*	
	2013	2012	2013	2012
Loans and receivables				
Cash and short-term deposits	1 818	47 085	1 818	47 085
Trade and other receivables	55 830	11 763	55 830	11 763
Other financial liabilities				
Trade and other payables	803	237	803	237
Loans and borrowings	72 102	64 602	72 102	64 602

29. INCOME TAX

The Parent Company

As at 31 December 2013, the tax loss carried forward is SEK 40 762 (2012: SEK 31 188). The Company has not recognized deferred tax assets as deficit.

30. EVENTS AFTER THE REPORTING DATE

From a business perspective, there have been major sales in the first quarter of 2014. The company sold 100 826 tons of corn at an average price of 1 650 UAH / t. Further 23 000 tons of sunflower (4 250 UAH / t), and 1 348 tons of soybean (5 580 UAH / t). The sales prices were significantly higher than the prices that formed the basis for the valuation of closing stocks in 2013. Crops were during the first quarter of 2014 sold to an average of 57% higher prices than the book value at 2013-12-31.

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 and has affected the company positively.

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GRAIN
ALLIANCE

ANNUAL REPORT 2016

BZK GRAIN ALLIANCE AB

Corporate identity number: 556754-1056

ANNUAL REPORT AND CONSOLIDATED ACCOUNTS

For the financial year 1 of January 2016 – 31 of December 2016

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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, highly developed infrastructure and a proximity to all major export markets makes Ukraine ideal for large-scale farming.

- Grain Alliance has experience from more than 18 years of successful large-scale farming in Ukraine, achieving production yields in par with Western peers.
- We control around 53,000 hectares of which 51,000 hectares are cultivated, and we are continuously expanding our territory.
- All our fields are leased from small landowners
- Our main crops are corn, sunflower, soybeans and wheat

OUR LOCATIONS

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

- We operate in six regions of Ukraine; Kyiv, Chernihiv, North- and South Poltava, Cherkasy and Khmelnytskyi.
- We have five strategically placed grain elevators; three with railroad on site.
- The climate in our regions are classified as humid continental climate with an annual precipitation between 550-630 mm, which is excellent for crops growing.

OUR STRATEGY

As global demand for food is increasing 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 customers on 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.

Evgeniy Radovenyuk, CEO

WHO WE ARE

Grain Alliance is a highly efficient grain and oilseed producer in Ukraine. The company controls 53,000 hectares in Ukraine; out of this area 51,000 is cultivated. Ukraine was once the "breadbasket of Europe" and is home to 25% of the world's black earth assets, the most fertile soil 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 developed world towards a more protein rich diet.

THE MOST FERTILE SOILS IN THE WORLD

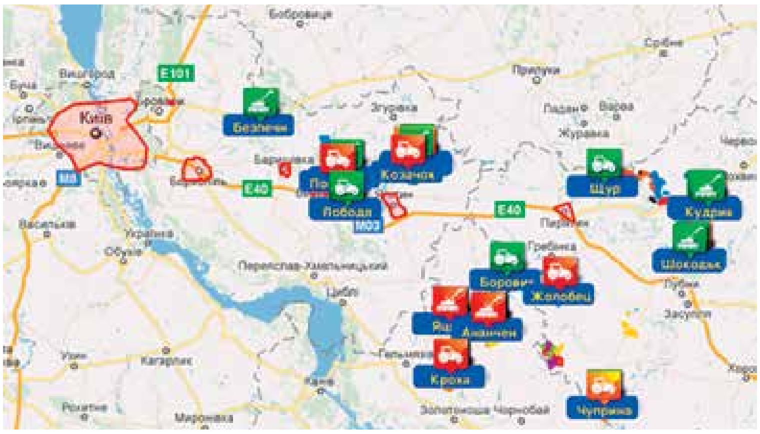
Ukraine has one of the world's most fertile soils – black earth or "chernozem". In fact, 25 percent of global black earth assets are located in Ukraine. There is also an untapped potential in that out of Ukraine's total arable land of 32.7 million hectares, where 27 million are cultivated.

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 the EU and 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.



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 2016 the company had storage capacity exceeding 250,000 tons. In addition, Grain Alliance has continued substituting natural gas as the heating source for grain dryers and residential houses around the area, to renewable fuel resources.

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 contribute substantial funds to the charity 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

2016 was the fourth year of global grain stocks increase. After years of shrinking global stocks, the last four years have managed to produce crop volumes never seen before. Still, demand was growing as the global population grew and consumer patterns changed to higher quality of living.

WEATHER PATTERNS

All farming depends on weather conditions. During 2016 the weather was extremely wet during the first half of the year. May-July rains determined a proper plants development on early phases.

COUNTRY RISKS

As an international company Grain Alliance is exposed to currency risks. In 2016 the local currency was much less affected by devaluation against all major currencies in comparison to previous years. In the short-term we still have some currency losses, but in the long- Grain Alliance could benefit from the situation as revenues are tied to the dollar, but costs such as salaries and land leases are in local currency.

GLOBAL PRICES

Four 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 2016

- Another year of the record harvest kept prices low.
- The military conflict in the Donbas area continued.
- Weather conditions were supportive for all crops besides wheat in the first part of the year.
- Early and fast seeding of all crops.
- Productivity increase in terms of yields for key crops after cleaning and drying (winter wheat +11%, soy +8%, corn +9%).
- Chernihiv region continues to grow and deliver reasonable results.
- Cultivated area increased.
- Storage capacity was developed in the Pyriatyn region.
- First bio-mass thermal generator for drying of grain proved its efficiency.
- Late sales after harvest due to expectable devaluation and moderate interest rates in the Ukrainian economy, which resulted into large outgoing stocks of soy, corn and sunflower.

FINANCIAL STATEMENTS IN BRIEF

(in thousands of SEK)

	2016	2015
Revenue, including revaluation of biologicalassets	318 576	441 017
Grossprofit	134 655	163 074
EBITDA	117 489	195 792
EBITDA margin	37%	44%
Net profit	84 046	129 294
Net margin	26%	29%
Amortization of intangible assets	-	-
Depreciation, total	12 755	10 552
Total assets	491 029	302 016
Total equity	273 453	197 801
Currency effects on equity	-167 306	-158 787
Total liabilities	217 576	104 214
No. of shares	7 807 775	7 807 775
Profit per share	11	17
Equity per share	35	25
Equity ratio	56%	65%
Sowing area, ha	45 907	45 473
Revenue/ha	6 940	9 698
EBITDA/ha	2 559	4 306

ROZVITOK SELA

Grain Alliance has taken to heart the goal of being a model of corporate citizenship 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 dedicate 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 the 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 2016

In 2016 Rozvitok Sela continued cooperation with medical clinics in villages enabling them to perform tests for diabetes and improving their capabilities. 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 2016 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 alive. Also, as schools in small villages 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 TURBULENT ECONOMICAL ENVIRONMENT

As the world population grows, incomes increase, diets and consumption patterns change and as a consequence the demand for food and agricultural products rises. The United Nations estimates that world population will reach nine 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.

In response 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 increase the returns 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 in 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 three deep-water 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 soil 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.

BUSINESS CONCEPT AND STRATEGY

GLOBAL DEMAND GROWTH

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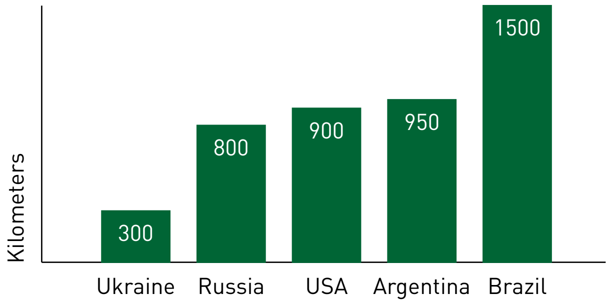
GRAIN ALLIANCE

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 in the world. 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.

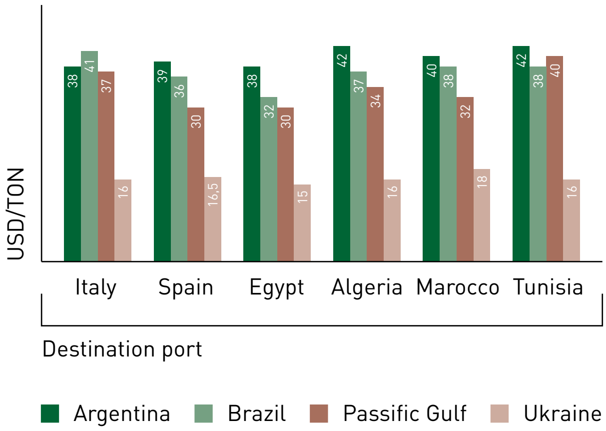
The combination of excellent soil, efficient modern farming, superior infrastructure and proximity to all major import markets is our key to success.

AVERAGE DISTANCE FROM PORT



Source: FAO, World Bank and Grain Alliance

TRANSPORTATION COST PORT TO PORT, USD/TON



Source: FAO, World Bank and Grain Alliance

HOW 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 by 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.
- Biological assets should be recognized at fair value minus estimated costs of sale on the reporting date. The fair value should represent the market price of 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 2016 was 30%, 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 traditional crop rotation and grows regular 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 always 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 were granted excess accumulated VAT as a subsidy until December 31, 2015. In simple terms, agricultural producers could 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 meant that keeping goods in stock lowered the value of the goods by 20%, which is the VAT rate in Ukraine. The VAT regim was cancelled since January 2016.

REPORT ON OPERATION

ABOUT GRAIN ALLIANCE

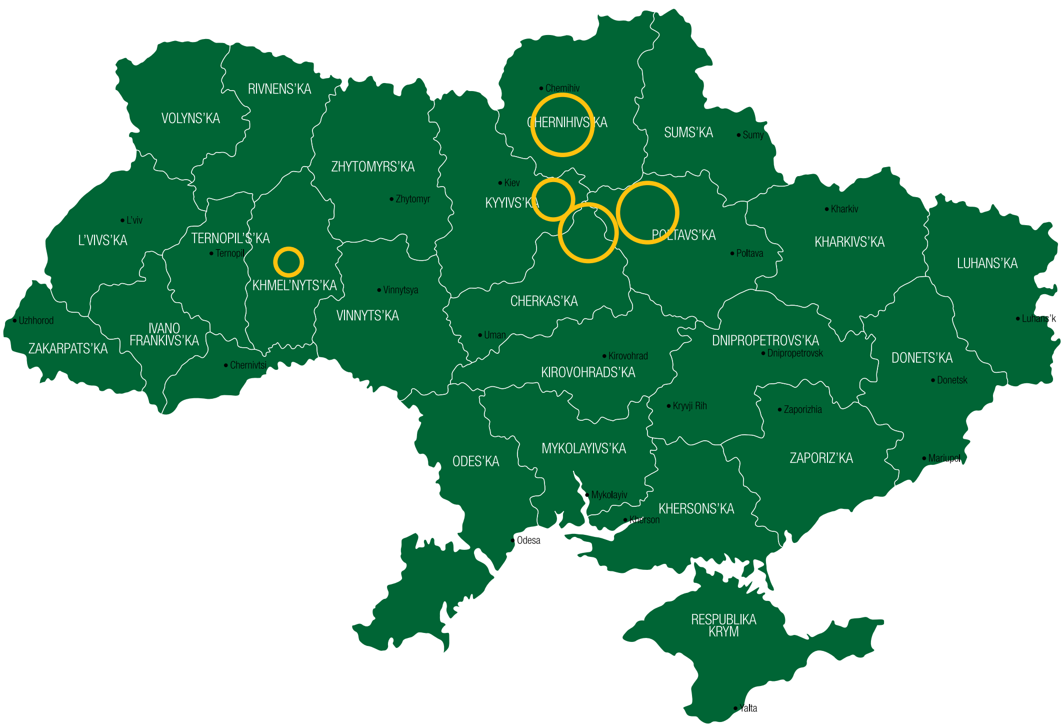
Grain Alliance is one of the leading agricultural companies in Ukraine. The company cultivates around 51,000 hectares of arable land in central Ukraine. The foundation for BZK Grain Alliance AB was laid as early as February 26, 1998. At that time, the company was primarily a supplier of agricultural 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 established 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 the Swedish investments into the company a profound 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 centre of the Ukrainian black earth belt. The company operates in four districts in Ukraine: Kyiv, Poltava, Cherkasy and Chernihiv districts. The agricultural operations are divided into five regions (clusters), where each region cultivates between 8,000 and 12,000 hectares. Each of the regions is fully equipped with modern agricultural equipment and the short distances between the regions enable the efficient utilization of machinery. In order to perform efficient handling and storage of the produced grain, the company has five drying facilities, three of which have a direct rail connection.

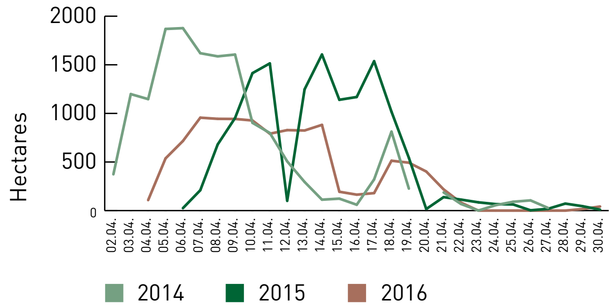
Efficiency and control are paramount in Grain Alliance's strategy and therefore the company tends land within a limited geographical area. The radius of Grain Alliance's core area (the area farmed) is about 80 kilometres. During the past three years, the company has gradually expanded up to 13,000 ha in the Chernihiv region, north of Kyiv. Cultivating land in a limited geographical area allows a more efficient use of resources as transport distance for both equipment and crops is shorter. The simple fact that the lands are within an hour's drive from the main office also strengthens the control. Farming is an activity that requires hands-on monitoring and control. Grain Alliance operations are further supported 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 mitigates logistic risks and gives the company the opportunity to sell the crops when prices are highest. Due to land bank expansion in Chernihiv, Grain Alliance started development of the drying and storage facility there.



SEEDING 2016

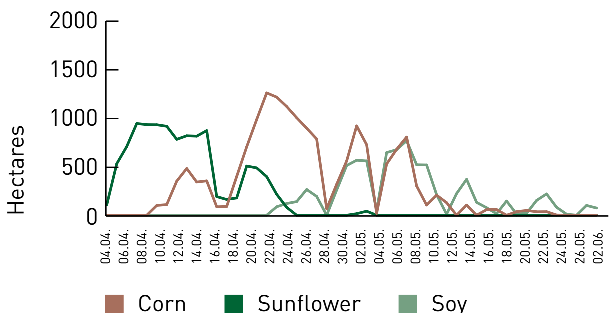
The weather conditions during the spring seeding and summer vegetation were favourable for all crops. The sowing area was 48,342 hectares, of which 43,922 hectares were the main crops: corn, wheat, sunflower and soybeans, with 2,940 hectares of niche crops: pumpkin seeds, oil radish. The seeding began and ended in regular terms, - between April 4 and mid-May. On average 1,000 hectares per day were seeded. The diagram below illustrates the difference in sowing period and seeding rate compared with the previous years:

SUNFLOWER SEEDING 2014 – 2016



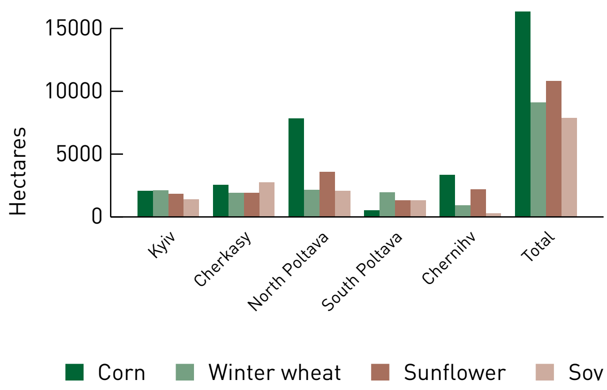
In 2009, Grain Alliance built their own agricultural laboratory to collect and analyse environmental, climate and plant data, which was further enhanced with qualified employees and additional vehicles and tools in 2016. The best practice of seed treatment with microelements and growth stimulants to boost the vegetation process, which was initially adopted in 2015, was further expanded in 2016 and demonstrated sustainable efficiency. The choice of varieties of seeds was further adapted to the regional microclimate, soil types and other specific features.

SEEDING PER CROP AND DAY 2016



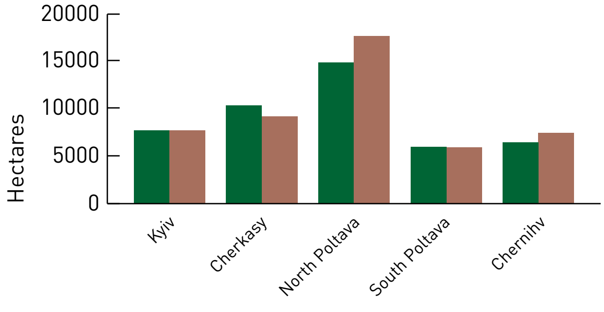
The distribution of crops between the regions was similar, but more focus was placed on winter wheat and soybean area expansion to improve crop rotation. The proportion of sunflower production was decreased, ClearField technology was further applied to fight weeds on new fields, but standard (non- ClearField) sunflower production technology was used more widely to improve soil conditions for the winter wheat. Soy was also introduced in the Chernihiv cluster and demonstrated good results.

ALLOCATION OF CROPS PER REGION, 2016



Grain Alliance continued to increase the cultivated area, mainly in the Chernihiv region. The expansion there constituted around 4000 hectares via signing new land leases. In other regions, nearby landowners had fewer opportunities to choose to lease out their land to Grain Alliance and expansion was less dynamic.

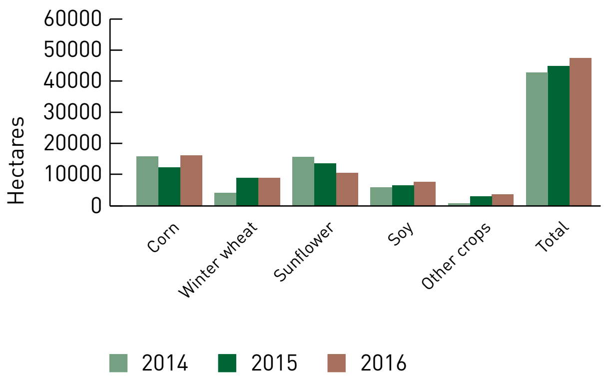
SEEDED HECTARES PER REGION 2016 AND 2015



ALLOCATION OF CROPS

The harvested area increased by 2,532 hectares (6%) compared with 2015. The new area was mainly introduced to the crop rotation via sunflower; hence, this partly explains the increase in area seeded with sunflower. Corn and soybeans were increased at the expense of sunflower.

DYNAMIC OF HARVESTED HA 2014 – 2016



HARVEST 2016

The weather during the main vegetation period was favourable with regular and extra rainfall in May, June and July, but with typical high temperatures and drought in August and September. Plenty of rainfall substantially prolonged the vegetation period for soy, which unusually postponed the start of harvesting until mid-October. Another challenge of the year was early November snows and frosts, which in combination with high humidity and a lack of railroad wagons, interrupted and delayed corn harvesting and finally led harvesting being concluded in the middle of January 2017.

Despite delays with harvesting, Grain Alliance managed to achieve expected yields and further develop knowledge of grain production in comparison to previous years.

Crop	2013		2014		2015		2016	
	Hectares harvested	Yield, ton/ha	Hectares harvested	Yield, ton/ha	Hectares harvested	Yield, ton/ha	Hectares harvested	Yield, ton/ha
Corn	20 037	7,04	15 938	7,30	12 548	7,53	16 271	9,04
Winter wheat	4 261	4,59	4 278	5,03	9 019	4,69	9 066	5,21
Sunflower	12 033	2,49	15 959	2,70	13 787	2,67	10 759	2,72
Soy	3 980	2,01	6 003	1,85	6 612	2,60	7 827	2,92

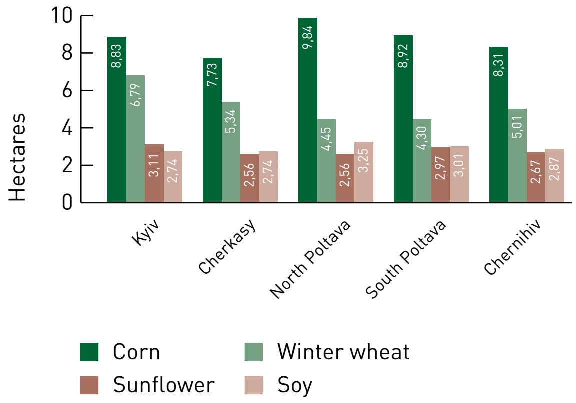
Soybean was seeded on time – between April 21 and May 10, thus giving the plants the 115-124 days of growth required to reach full potential. Seeds were treated with micro- and macro-fertilizers and plants were fed with micro-elements at the appropriate time of their vegetation. Canadian Sevita varieties of soybean were not affected by drought in August-September.

Corn was planted mainly on time. Seeds were also treated. Ukrainian hybrids of corn demonstrated high results, comparableto foreign hybrids in conditions of good precipitation.

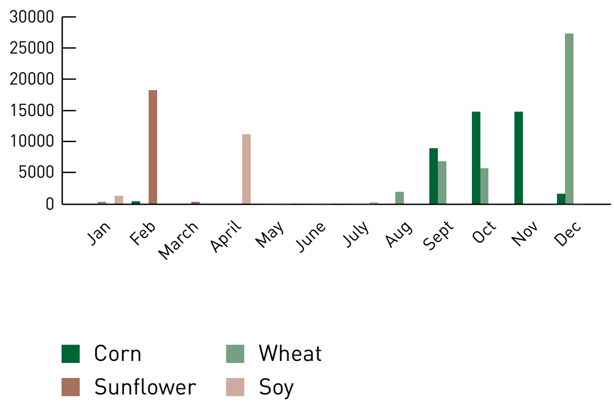
Winter wheat suffered a lot of losses due to high humidity, rainfall and warm weather during the last stage of vegetation. Despite these losses, 90% Grain Alliance's wheat harvest constituted bread quality wheat. We continue to adapt wheat varieties to regional weather and crop rotation specifics.

In 2016, all regions, except Kyiv and North Poltava, met their target budgets in term of net yields after cleaning and drying. Among the most positive outcomes is that the results of the winter wheat, soy and corn are either stable or improving for the third consecutive year. We also see that the Chernihiv, despite the expansion and poorer soils, continues to deliver reasonable results.

YIELDS PER HECTARE, TONS/HA, 2016



SALES, TONS 2016



CROP PRICES AND SALES 2016

During 2016, crop prices did not recover from the large fall in 2013-2015. The last three years' global harvests and stocks are the largest in the history of humanity, which has led to sharply reduced and stable prices. 2016 was almost as good a year for Ukrainian agriculture as the previous two years. Despite the conflict in the eastern parts of the country and a deep financial crisis, 66.0 million tonnes of grain were harvested, a slight increase over the previous two years (60.1 and 63.8 million tonnes respectively). The local grain market was however affected by further UAH devaluation, but this factor was not as influential as in previous years and the deviations between domestic and international prices were insignificant. Due to the implementation of a general VAT regime for agricultural producers, Grain Alliance initiated greater sales in USD, CPT sea port or DAF Ukrainian border delivered.

Due to lower interest rates and expectations of a devaluation of the local currency between fall and winter time, we decided to sell the main volume of the grain harvest for 2016 during winter/spring 2017 and decided to exploit the extra credit lines available for the early purchase of seeds, herbicides and fertilizers in September-December 2016. As of December 2016, the Company had approximately 72 thousand tonnes of grain in stock.

DIRECTORS' REPORT

RESULT/SALES 2016

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 financial result. Stocks for 2016 were mainly sold in spring at prices exceeding the inventory value at the balance sheet date at year end. 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 parent company's operational currency is the Ukrainian hryvnia, which did not devaluate in 2016 against either the Swedish krona or the world's major trading currencies as much as in previous years. The financial result for Grain Alliance has been affected by exchange rate fluctuation in different ways but mainly by foreign exchange losses on the subsidiary's foreign currency loans. Under IFRS accounting standards, the intercompany currency losses are recognized in the income statement thus cannot be considered to reflect the Group's operating results. For more detailed information, see Note 13.

CURRENCY RESTRICTIONS

In order to restrain further devaluation of the Ukrainian hryvnia, the Ukrainian National Bank prolonged restrictions on the forex market, which artificially increased demand for local currency, but currency regulation was a bit softer in comparison to 2015, allowing for dividends payment for 2014-2015 and the ratio of obligatory currency sales was decreased from 75% to 65%.

INVESTMENTS DURING 2016

Grain Alliance used the crisis situation to further expand the land bank organically (via signing new land lease agreements with individuals in the neighbouring villages) and made related investments in machinery and infrastructure to support growth. 2014 investments in a biomass thermal generator at the elevator in Yahotyn further demonstrated viability and efficiency, despite the usage wood pellets instead of grain cleaning wastes due to their high humidity. Thus, the company will continue its efforts to substitute natural gas consumption by dryers with bio-fuel – the waste of grain cleaning and wood pellets. The goal is to reduce the dependence on natural gas as much as possible and to increase the proportion of renewable fuel used in our production processes. In addition to machinery and land expansion investments, we expanded storage capacity in Pyriatyn by 36,000 tonnes, which decreased the negative effect of a railroad wagon deficit on our harvesting campaign.

STORAGE AND DRYING CAPACITY 2016-12-31

Elevators	Baryshivka	Berezan	Yahotyn	Pyriatyn	Yarmolyntsi
Storage cap.	18 000 t.	47 000 t.	61 000 t.	104 000 t.	15 000 t.
Type of storage	Flat bed	Flat bed + steel silos	Flat bed + steel silos	Steel silos	Flat bed + steel silos
Drying cap.	400 t/day	1 000 t/day	1 000 t/day	1 000 t/day	600 t/day
Railroad	On site	On site	8 km	On site	5,5 km
Shipment cap	400 t/day	1 000 t/day	800 t/day	1 400 t/day	800 t/day

EMPLOYEES

The average number of employees in 2016 was 1159, consisting of 245 women and 914 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 harvest.

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 it stands the CA group.

ENVIRONMENTAL ASPECTS AND SUSTAINABILITY

Sustainability and caring for the environment is of central importance for Grain Alliance. The company follows a balanced crop rotation plan, which aims to prevent exhaustion of the soil and minimize negative environmental effects. With this objective, the company extended soybean production in 2016 and introduced flax seed production in Chernihiv, which are good predecessors for winter wheat and enrich soil with nitrogen and organic leftovers. The approach to crop production is based on scientific measurements of the soils and modern production methods. Since 2008, Grain Alliance has carried out annual soil analyses of the cultivated fields. Our laboratory was further strengthened with additional tools in 2016, allowing for the analysis of plant development in fields and diagnostics of diseases. 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, and old outdated equipment has been replaced with modern equipment. We also introduced new methods of balanced plant feeding with micro- and macro- fertilizers during vegetation periods to avoid soil exhaustion. The company's long-term goal is to increase the share of renewable fuels used in production as well as in the heating of villages and towns around us. The investment in the thermal generator in Yahotyn allowed for a reduction in natural gas consumption. Granulation of wastes after grain cleaning on the elevator in Berezan allowed the replacement of natural gas with this bio-fuel in all premises of the company.

HUMAN RESOURCE POLICY

Grain Alliance has an active HR policy that centres around 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, unbalanced trade balance and strained public finances. The operations as such are also exposed to risks in the form of volatile world prices, climate change and other external influences on the soil and crops. The fact that operations are conducted in Ukraine also entails elevated economic and political risks compared with, for example, Sweden. In 2016, the Ukrainian political and economic situation showed slight improvements. The political situation remains unchanged and continued military conflict in the eastern parts of Ukraine has affected the operations and financial result. IMF continues to support of the economy and we should expect stabilization in the near future.

An eventual further deterioration of the political and macroeconomic situation in Ukraine may affect the subsidiaries' situation negatively. Relations between Ukraine and the Russian Federation are 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 and continue reforms and prudent fiscal policies. The Ukrainian government has the intention to continue to come closer to the EU by pursuing a broad reform agenda that seeks to create balance in the public finances and improve the investment climate.

The company continues to monitor 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 26.

IMPORTANT EVENTS DURING THE REPORTING PERIOD

The company increased the cultivated area by 4000 ha, mainly in the Chernihiv region. In view of the stable low grain prices coupled with expectations for further limited devaluation of the Ukrainian currency, the Board took the decision to sell the main volumes of the harvest during the winter/spring 2016/2017. The proceeds from sales were used to repay short-term debts in the local currency and to purchase agricultural assets and machinery.

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

During the first quarter of 2017, 18,700 tonnes of sunflower and 11,700 tonnes of soybean, were sold at 10 060 UAH/t, 390 USD/t.

PLANS FOR THE FUTURE

Grain Alliance will continue to produce crops in Ukraine and expand the cultivated area. The company believes that one of the continuing key success factors will be to have storage capacity to fend off price fluctuations and logistic bottlenecks during harvest time and therefore additional storage capacity will be added during the coming year, especially in the Chernihiv region, where we continue our land expansion. The planned expansion will mainly take place in the regions where the company already has significant operations, but also other geographical areas deemed by the Board to be of interest for potential expansion. In addition to the expansion of the land bank and further investment in equipment, the company will continue the enhancement of agro-technical techniques with an increased focus on agronomy and in-house scientific laboratory development. Some limited changes will be implemented in crop rotation as well. The company will continue the gradual diversification of the products line with additional focus on food markets such as food soybeans, flax oil seeds, yellow peas, etc. and will consider investments in wheat to flour processing as well as the production of liquid fertilizer compositions.

KEY RATIOS

	2016	2015	2014	2013	2012
Turn over, KSEK	211 179	402 072	225 106	86 289	315 738
Operational result, KSEK	104 734	185 240	93 847	-68 753	56 547
Result after financial costs, KSEK	84 071	129 294	2 230	-77 352	43 403
Equity ratio %	55,70%	65,50%	32,20%	42,70%	77,90%
Cash flow, KSEK	-5 748	14 609	1 711	-52 776	56 678

OUTLINE OF THE PARENT COMPANY RESULTS

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

	SEK
Retained earnings	236 039 708
Net result of the period	-2 516 334
	233 523 374

The Board proposes that the profit/loss be appropriated as follows:	
to be carried forward	233 523 374
	233 523 374

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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of SEK

	Notes	The Group 2016	The Group 2015
Revenue from sales	5	211 179	402 072
Net gain / (loss) on fair value measurement of biological assets and agricultural produce	16	107 396	38 945
Cost of sales	6, 12	-183 921	-277 943
Gross profit		**134 655**	**163 074**
Other operating income	7	2 476	63 463
General and administrative expenses	8	-26 881	-31 443
Selling expenses	8	-1 222	-641
Other operating expenses	9	-4 293	-9 213
Operating profit / (loss)		**104 734**	**185 240**
Finance costs	10	-19 762	-21 537
Finance income	11	138	332
Foreign exchange gain	13	-1 040	-34 737
Profit / (loss) before tax		**84 071**	**129 298**
Income tax expense	14	-25	-5
Profit / (loss) for the year		**84 046**	**129 293**
Other comprehensive income:			
Items that can be reclassified in the income statement			
Foreign exchange differences		-8 519	-48 318
Tax effect		-	-
Total comprehensive income for the year		**75 527**	**80 975**
Whereof attributed to equity holders of the company		84 046	129 293
Whereof attributed to equity holders of the company		75 527	80 975

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of SEK

	Notes	The Group 2016	The Group 2015
Non-current assets			
Property, plant and equipment	15	147 649	112 092
Biological assets	17	5 113	1 484
Other non-current assets	16	383	1
		153 145	**113 577**
Current assets			
Inventories	18	240 366	113 126
Biological assets	17	38 647	7 380
Trade and other receivables	19	5 914	2 319
Other current assets	19	40 057	47 091
Cash and cash equivalents	20	12 898	18 522
		337 883	**188 438**
Total assets		**491 029**	**302 016**
Equity			
Issued capital	21	11 556	11 556
Other contributed capital		278 295	278 295
Foreign currency translation reserve		-167 306	-158 787
Retained earnings		150 908	66 737
		273 453	**197 801**
Non-current liabilities			
Loans and borrowings	22	500	2 054
Loans and borrowings relative parties	22	56 342	53 387
		56 842	**55 441**
Current liabilities			
Loans and borrowings bank	22,29	142 883	26 139
Loans and borrowings relative parties	22	5 495	12 150
Trade and other liabilities	23	10 584	7 787
Other current liabilities	23	1 772	2 698
		160 734	**48 774**
Total liabilities		**217 576**	**104 215**
Total equity and liabilities		**491 029**	**302 016**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of SEK

The Group	Issued capital	Other contributed capital	Foreign exchange differences	Retained earnings	Total equity
Balance at 31 December 2014	**11 556**	**278 295**	**-110 468**	**-62 557**	**116 826**
Profit for the year				129 478	129 478
Other comprehensive income			-48 377		-48 377
Total comprehensive income			**-158 845**	**66 921**	**197 927**
Transactions with owners					
Issue of capital					
Balance at 31 December 2015	**11 556**	**278 295**	**-158 845**	**66 921**	**197 927**
Profit for the year				84 046	84 046
Other comprehensive income			-8 519		-8 519
Total comprehensive income			**-167 364**	**150 967**	**273 454**
Transactions with owners					
Issue of capital					
Balance at 31 December 2016	**11 556**	**278 295**	**-167 364**	**150 967**	**273 454**

CONSOLIDATED STATEMENT OF CASH FLOW

In thousands of SEK

The Group	2016	2015
Operating activities		
Profit / (loss) before tax	84 046	129 294
Non-cash adjustments:		
Depreciation	12 827	10 552
Gain on sales of fixed assets	12	537
Finance income	-138	-
Foreign exchange gain	1 040	34 737
Finance costs	16 184	23 734
Loss on impairment of accounts receivable and prepayments	1 729	-
Shortages and losses from damage of valuables	687	-
Non-controlling interests	-	-1 810
Working capital adjustments:		
Change in biological assets	-35 583	13 939
Change in trade receivables and other current assets	-3 496	-30 892
Change in agricultural produce and other inventories	-129 333	-2 169
Increase in trade and other payables and other current liabilities	2 310	4 129
	-49 715	**182 051**
Interest received	138	-
Net cash flows from operating activities	**-49 577**	**182 051**
Investing activities		
Purchase of property, plant and equipment	-53 782	-31 903
Prepayments for property, plant and equipment	-	-832
Proceeds from (payments for) other non-current assets, net	-382	-
Net cash flows used in investing activities	**-54 164**	**-32 735**
Financing activity		
Proceeds from loans and borrowings	258 949	329 037
Repayment of loans and borrowings	-144 772	-435 627
Interest paid	-16 184	-23 734
Net cash flows from financing activities	**97 993**	**-130 324**
Net change in cash and cash equivalents	-5 522	18 992
Foreign exchange difference cash	-226	-4383
Cash and cash equivalents at 1 January	18 647	3 913
Cash and cash equivalents at 31 December (Note 20)	**12 898**	**18 522**

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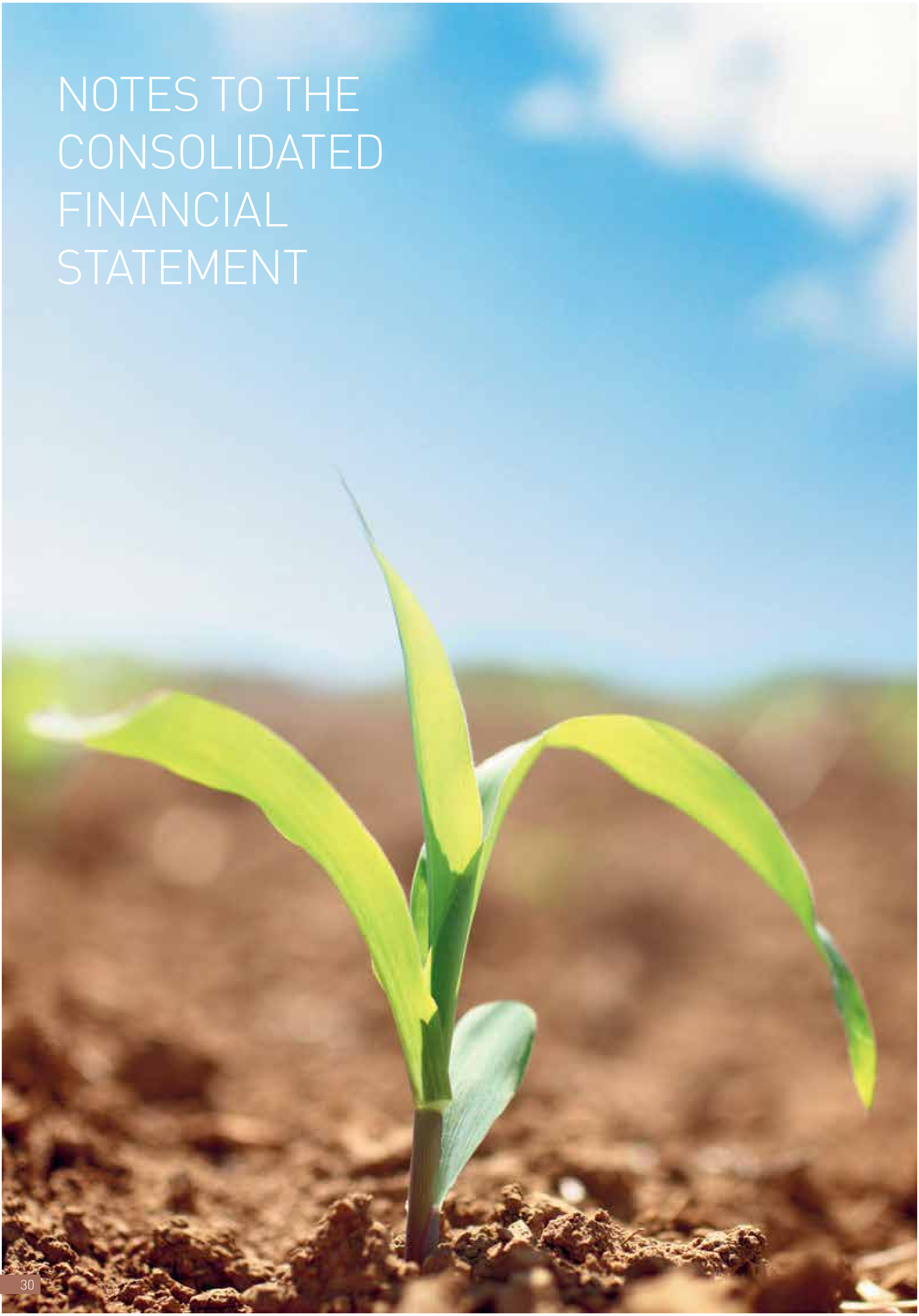

1. CORPORATE INFORMATION

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	2016	2015
Baryshevski Grain Company LLC	32886518	Ukraina, Baryshevka	Planting, livestock farming	100%	100%
Ukraine LLC	3772950	Ukraina, Chyutivka	Planting, livestock farming	100%	100%
Ukraine LLC	3771896	Ukraina, Ovsyuki	Planting, livestock farming	100%	100%
Khmelnitska Grain Company LLC	39843554	Ukraine, Yarmolenci	Planting	100%	100%
Charity Foundation "Development of the village"	38467802	Ukraine, Baryshevka	Charity fond	100%	100%

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

1.1. GROUP RESTRUCTURING

Baryshevski Grain Company LLC is the parent company of the Ukrainian subsidiaries in the Group. During 2015 the subsidiary Khmelnitska Grain Company LLC was formed. The group owns 100 % whereof the parent company owns 90 %. During the year the subsidiary Agrido has 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 Janukovitj 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.

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2. BASIS OF PREPARATION

These consolidated financial statements were approved for issue by management on 27 of June 2017. The Board has presented the annual report for publication on 12 of June 2017. 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 2016.

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 REPORTING 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 approximates 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
VALUED AT LEVEL 3

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.

De-recognition – 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.

Fair value

Fair value measurement is based on the hierarchy presented in IFRS 13. The hierarchy is divided into three levels.

Level 1 – Is based on the market price for identical assets/liabilities in an active market.

Level 2 – Is based on a valuation technique where the price in the fair value measurement is direct or indirect observable.

Level 3 – Is based on a valuation technique where the price in the fair value measurement is unobservable.

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 company pays fixed contributions and have no obligations to pay further contributions. The costs for pensions are recognized as an expense in the period incurred. Net pension costs are shown in Note 23.

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.

Termination benefits

A debt is recognized at the point of termination only if the company is provably committed to terminate the employment before ordinary time or when benefits is offered to encourage optional departure.

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 80% 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 2015, all Group's subsidiaries 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 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

New standards applied during the year 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 2016 or later and have not been applied in preparing these financial statements. The effect on BZK Grain Alliance AB's earnings and financial position continues to be investigated. No essential differences have so far been recognized of the effects of IFRS 9 and IRFS 15. Investigation of IFRS 16 has not been started.

- ***IFRS 9 Financial instruments (2018)***
  The standard replaces IAS 39. IFRS 9 includes requirements for classification and measurement, impairment and hedge accounting. Classification determines how financial assets and liabilities should be accounted for. Impairment means an earlier recognition of credit losses and hedge accounting means extended information of risk management.
- ***IFRS 15 Revenue from Contracts with Customers (2018)***
  The standard addresses a five-step model to account for revenue from contracts with customers. Under IFRS 15, revenue is recognized at the amount that reflects the remuneration the company expects in exchange for transferring the goods or services to a customer.
- ***IFRS 16 Leases (2019)***
  The standard means that the lessee shall account for all contracts that fulfills the definition of a lease in IFRS 15 as assets and liabilities in the balance sheet and depreciation and interest expense in the income statement. Contracts shorter than 12 months and those relating to smaller amounts are excluded. Agreements which today represent operating leases would be activated in the balance sheet.
- ***IAS 1 Presentation of Financial Statements (2016)***

Improvement projects in 2015:

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

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.

5. REVENUE FROM SALES

The Group	2016	2015
Corn	46 767	123 559
Sunflower	55 178	152 522
Wheat	50 502	40 158
Milk	4 735	4 414
Soy	34 743	66 057
Barley	26	53
Other	13 049	8 551
	205 000	395 314
Auxiliary agricultural services	6 179	6 758
	211 179	402 072

Revenues from two major customers, each individually exceeding 10% of total revenue, amounted to SEK 84 980 SEK (2015: three customers – SEK 361 719).

	The Group 2016	
Cargill AT, LLC	50 604	25%
Kernel-Trade, LLC	34 376	17%
Others	120 020	59%
	205 000	100%

Notes to the consolidated financial statement (in thousands of SEK) 41

6. COST OF SALES

The Group	2016	2015
Depreciation of intangible assets	-	-
Depreciation of property, plant and equipment	11 881	9 759
Cost of auxiliary agricultural services	1 082	1 623
Other cost of sales	170 958	266 561
	183 921	277 943

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 8, represents the Company's total depreciation.

7. OTHER OPERATING INCOME

The Group	2016	2015
VAT retained (i)	762	61 242
Gain on accounts payable written off	29	85
Government subsides recognized as income	422	436
Penalties received	0	-
Gain on disposal of inventories	299	537
Other income	962	1 163
	2 475	63 463

(i) VAT retained represents VAT attributable to the qualifying sales of the Group's agricultural producers, which, according to the Ukrainian legislation (Note 3) is not payable to the budget.

42 Notes to the consolidated financial statement (in thousands of SEK)

8. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses	The Group 2016	The Group 2015
Payroll and related taxes	9 929	9 519
Professional services	11 714	14 770
Fuel and other materials used	2 123	1 924
Services provided by third parties	1 223	3 423
Depreciation expenses	874	793
Repair and maintenance expenses	582	315
Representative costs and business trips	147	155
Other expenses	288	545
	26 881	31 444

Selling expenses	The Group 2016	The Group 2015
Payroll and related taxes	658	287
Professional services	-	-
Fuel and other materials used	298	333
Services provided by third parties	68	5
Repair and maintenance expenses	23	16
Other expenses	175	-
	1 222	641

Audit fees for the parent company and the Group in year 2016 and 2015 relates to fees payable to Ernst & Young. Audit fees included in the general and administrative costs are as follows:

The Group	2016	2015
Audit assignment fees	786	1 306
	786	1 306

Notes to the consolidated financial statement (in thousands of SEK) 43

9. OTHER OPERATING EXPENSES

The Group	2016	2015
Charity expenses (i)	1 788	2 357
Result on disposal of inventories	224	683
Increase in bad debt allowance for trade receivables	332	3 488
Crops losses (ii)	683	358
Cost of goods sold	425	151
Food to employees	-	1 621
Other expenses	841	555
	4 293	9 213

(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.

10. FINANCE COSTS

The Group	2016	2015
Interest on loans and borrowings related party	1 579	904
Interest on loans and borrowings bank	17 233	19 798
Convertible loans interest	683	568
Convertible loans charges	267	267
	19 762	21 537

44 Notes to the consolidated financial statement (in thousands of SEK)

11. FINANCE INCOME

The Group	2016	2015
Interest income	138	332
	138	332

12. DEPRECIATION

The Group	2016	2015
Depreciation property, plant and equipment (within cost of sales)	11 881	9 759
Depreciation general and administrative expenses (within general and administrative expenses)	874	793
	12 755	10 552

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

13. FOREIGN EXCHANGE GAIN/LOSS

The Group	2016	2015
Foreign exchange difference on loans within the Group	-1 740	-19 223
Foreign exchange difference on loans	700	-15 515
	-1 040	-34 738

14. INCOME TAX

The Group	2016	2015
Defered tax	25	5
	25	5

Notes to the consolidated financial statement (in thousands of SEK) 45

15. PROPERTY, PLANT AND EQUIPMENT

	Land	Building & Constructions	Plant & Equipment	Vehicles	Furniture	Construction in progress	Total
Cost							
As at 1 January 2015	15	72 683	93 223	9 019	3 365	6 036	184 340
Additions	3 341	6 407	12 393	2 280	767	6 716	31 904
Transfer		-278	-263	-38	35	544	-
Disposals		-31	-829	-212	-362	-	-1 434
Foreign currency translation differences	-1333	-22 363	-29 010	-2 895	-1 050	-2 494	-59 145
As at 31 December 2015	**2 024**	**56 419**	**75 513**	**8 153**	**2 754**	**10 802**	**155 664**
Additions	8	17 070	28 168	6 080	452	51 065	102 843
Transfer	-	-	-	-	-	-49 062	-49 062
Disposals	-	-274	-1 158	-	-16	-	-1 448
Foreign currency translation differences	-81	-2 175	-2 885	-294	-108	-423	-5 966
As at 31 December 2016	**1 951**	**71 040**	**99 638**	**13 939**	**3 082**	**12 382**	**202 031**
Depreciation							
As at 1 January 2015		-10 024	-34 595	-4 489	-1 515	-	-50 622
Depreciation for the year		-2 414	-7 207	-600	-331	-	-10 552
Reclassification		14	14	-	-28	-	-
Disposals		7	386	190	78	-	661
Foreign currency translation differences		3 231	11 012	1 384	481	-	16 108
As at 31 December 2015		**-9 186**	**-30 390**	**-3 515**	**-1 315**	**-**	**-44 406**
Depreciation for the year		-2 382	-9 181	-810	-382	-	-12 755
Reclassification		-	-	-	-21	-	-21
Disposals		26	1 034	-	18	-	1 078
Foreign currency translation differences		356	1 177	137	51	-	1 721
As at 31 December 2016		**-11 186**	**-37 360**	**-4 188**	**-1 649**	**0**	**-54 383**
Net book value							
As at 31 December 2015	**2 024**	**47 233**	**45 123**	**4 639**	**1 439**	**10 802**	**111 260**
As at 31 December 2016	**1 951**	**59 854**	**62 278**	**9 752**	**1 433**	**12 381**	**147 649**

46 Notes to the consolidated financial statement (in thousands of SEK)

Property, plant and equipment comprised the following as at 31 December each year:

	2016	2015
Property, plant and equipment	144 200	110 341
Prepayments for property, plant and equipment	3 449	919
Total property, plant and equipment	147 649	111 260

As at 31 December 2016, a value of 69 641 regarding property, plant and equipment was pledged as a security for the bank loans (2015: SEK 45 598 - note 29).

16. OTHER NON-CURRENT ASSETS

The Group	2016	2015
Other non-current assets	383	-
	383	**0**

Notes to the consolidated financial statement (in thousands of SEK) 47

17. BIOLOGICAL ASSETS

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 2015		29 447	3 021	32 468
Increase due to purchases and subsequent expenditures		222 660	2 823	225 483
Decrease due to crops harvest	(i)	-279 108	-	-279 108
Decrease due to sales		-	-625	-625
Net gain / (loss) arising from changes in fair value of biological assets and agricultural produce (less cost to sell)	(ii)	40 926	-1 981	38 945
Livestock losses		-	-11	-11
Currency translation differences		-7 363	-925	-8 288
Carrying amount at 31 December 2015	(iii)	6 562	2 302	8 864
Increase due to purchases and subsequent expenditures		264 301	4 028	268 329
Decrease due to crops harvest	(i)	-339 993	-	-339 993
Decrease due to sales		0	-604	-604
Net gain / (loss) arising from changes in fair value of biological assets and agricultural produce (less cost to sell)	(ii)	106 596	839	107 435
Livestock losses		-	-4	-4
Currency translation differences		-88	-264	-352
Carrying amount at 31 December 2016	(iii)	37 378	6 297	43 675

Biological assets are recognized at fair value from a cash flow model according to IFRS 13 at level 3. Key assumptions in the model include discount rate, projected sales price and yield per hectare.

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 2016 and 2015 was as follows:

The Group		2016		2015
	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	117 162	130 466	94 541	90 455
Wheat	47 468	45 229	36 817	92 416
Sunflower	29 254	77 429	42 334	44 318
Soybean	22 808	60 367	17 165	43 684
Barley	258	233	334	202
Other	-	11 289	-	8 032
	216 950	325 013	191 191	279 107

48 Notes to the consolidated financial statement (in thousands of SEK)

(i) 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	2016		2015	
	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	5,21	1 035	4,7	876
Winter rye	-	-	2,5	456
Winter barley	-	-	2,63	549
Corn	7,21	1 148	7,53	806
Soybean	2,92	2 781	2,59	1 927
Sunflower	2,72	2 749	2,67	2 032

(ii) Biological assets as at 31 December comprised:

Livestock	The Group 2016		The Group 2015	
	Number, heads	Carrying value	Number, heads	Carrying value
Cattle	1 161	6 246	1 043	2 187
Pigs	134	39	544	106
Horses	36	11	57	9
Others	-	1	-	1
	1 331	**6 297**	**1 644**	**2 303**

Livestock at 31 December 2016 comprises SEK 5 113 of non-current biological assets (2015: SEK 1 548).

Plants	The Group 2016		The Group 2015	
	Hectares	Carrying amount	Hectares	Carrying amount
Winter wheat	9 170	19 627	9 030	6 557
Corn	3 028	17 472	-	-
Winter rye	-	39	-	-
Soybean	53	235	-	-
Others	-	5	-	-
	12 251	**37 378**	**9 030**	**6 557**

Notes to the consolidated financial statement (in thousands of SEK) 49

18. INVENTORIES

The Group	2016	2015
Agricultural produce (at fair value less costs to sell or net realisable value) (i)	196 309	74 477
Work in progress (at cost) (ii)	18 180	26 246
Raw materials (at cost) (iii)	15 681	8 489
Fertilizer, herbicide and pesticide (at cost)	8 351	2 668
Other inventories (at cost)	1 845	1 246
	240 366	113 126

(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.

On 31 December 2016 the inventory provided security for bank loans to the amount of 128 634 (2015: 0)

19. TRADE AND OTHER RECEIVABLES, OTHER CURRENT ASSETS

Trade and other receivables	The Group 2016	The Group 2015
Trade receivables	4 404	1 168
Loans issued to employees	1 483	1 122
Less: bad debt allowance	27	28
	5 914	**2 319**
Other current assets		
Deferred expenses	358	628
Advances paid	24 966	29 749
VAT recoverable	13 839	15 061
Other	894	1 653
	40 057	**47 091**

The Group	Provision for bad debts
As at 1 January 2015	64
Charge for the year	5
Used amounts (i)	-24
Foreign exchange translation difference	-17
As at 31 December 2015	**28**
Foreign exchange translation difference	-1
As at 31 December 2016	**27**

(i) relates to bad debt loss that has been established during the year

For detailed information about aging see note 27.

50 Notes to the consolidated financial statement (in thousands of SEK)

20. CASH AND CASH EQUIVALENTS

	The Group 2016	The Group 2015
Cash:		
- on bank accounts	12 858	18 512
- on hand	40	10
	12 898	18 522

Parts of The Groups cash are temporarily bound by Ukrainian currency restrictions.

21. SHARE CAPITAL

The registered share capital amounts to SEK 11 556 (2015: SEK 11 556) and consists of 7 807 775 shares (2015: 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 2016 loans and borrowings are as follows:

Maturity			2017	2018 – 2020	
	Currency	Interest	Current portion	Non-current portion	Total
The Group					
Ukrainian bank	USD	8,5%	2 877	-	2 877
Ukrainian bank	UAH	17%-19%	140 006	-	140 006
Related party (Note 24)	SEK	4-7%	5 495	9 613	15 108
Convertible loans	SEK	3,5-7%	-	500	500
Convertible loans related party	SEK	3,5-7%	-	46 730	46 730
			148 378	**56 842**	**205 220**

Notes to the consolidated financial statement (in thousands of SEK) 51

As at 31 December 2015 loans and borrowings are as follows:

Maturity			2016	2017 – 2019	
	Currency	**Interest**	**Current portion**	**Non-current portion**	**Total**
The Group					
Ukrainian bank	USD	5,5%-11%	3 056	-	3 056
Ukrainian bank	UAH	5,5%-25%	23 083	-	23 083
Related party (Note 24)	SEK	4-7%	12 150	9 177	21 327
Convertible loans	SEK	3,5-7%	-	2 054	2 054
Convertible loans related party	SEK	3,5-7%	-	44 209	44 209
			38 289	**55 440**	**93 729**

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 2016 was SEK 38,6 million (2015: 38 million), and the equity portion was 4.8 million SEK.

52 Notes to the consolidated financial statement (in thousands of SEK)

23. TRADE AND OTHER LIABILITIES, OTHER CURRENT LIABILITIES

The Group	2016	2015
Trade and other liabilities		
Trade liabilities	3 237	2 152
Payroll and related taxes	3 713	2 958
Unused vacations accrual	3 608	2 353
Other	25	324
	10 583	7 787
Other current liabilities		
Value added tax	93	2 119
Advances received	128	121
Income tax payable	1 306	316
Other	244	142
	1 772	**2 698**

24. NUMBER OF EMPLOYEES AND EMPLOYEE BENEFITS

Number of employees	2016			2015		
	Women	**Men**	**Total**	**Women**	**Men**	**Total**
Sweden	-	-	-	-	-	-
Ukraine	245	914	1 159	209	996	1 205
	245	914	1 159	209	996	1 205

The management of the Group consists of 100% male.
The Group only has contribution based pension costs.

The Group	2016	2015
Board and senior executives	1 043	854
Other employees	28 573	24 040
Pension costs Board and senior executives	39	228
Pension costs other employees	1 185	6 406
Social security costs	4 795	-
	35 635	**31 528**

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

Notes to the consolidated financial statement (in thousands of SEK) 53

25. RELATED PARTY DISCLOSURES

ULTIMATE CONTROLLING PARTY

As at 31 December 2016 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.

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:

Entity under common control	2016	2015
Loans and borrowings	**-63 246**	**-65 538**
Of which:		
CA Investment AB	-6 265	-12 906
CA Agroinvest AB	-55 327	-51 063
Ukrainian Investment AB	-1 654	-1 569

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

Entities under common control	2016	2015
Interest expenses	**-3 729**	**-3 433**
Of which:		
CA Investment AB	-207	-363
CA Agroinvest AB	-3436	-2 985
Ukrainian Investment AB	-85	-85
Purchase of services	**-2 119**	**-4 692**
Of which:		
Radovenyuk E.A	-302	-638
Radovenyuk A.F	-261	-689
SPD Radovenyuk	-	-1 268
UkrEthanol	-1556	-2 097

COMPENSATION TO KEY MANAGEMENT PERSONNEL

For the year ended 31 December 2016, remuneration paid by the Group to key management personnel was SEK 1 043 (2015: SEK 968). Compensation included contractual salaries and related taxes.

Key management personnel consists of six individuals as at 31 December 2016 (2015: six).

54 Notes to the consolidated financial statement (in thousands of SEK)

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.

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 2016 was 41 475 (2015: 24 409).

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

	2016	2015
Up to 12 months	42 163	28 945
1-5 years	125 969	95 389
Over 5 years	57 461	42 223
	225 593	**166 557**

Notes to the consolidated financial statement (in thousands of SEK) 55

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 2016 and 2015. 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 2016 and 2015.

INTEREST RATE RISK

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
2016		
Change in interest rate (LIBOR)	50	-701
Change in interest rate (LIBOR)	-12	168
2015		
Change in interest rate (LIBOR)	50	-434
Change in interest rate (LIBOR)	-12	104

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.

56 Notes to the consolidated financial statement (in thousands of SEK)

Effect on profit before tax	Change in foreign currency rate	The Group
2016		
Change in USD exchange rate	18,00%	1 508
Change in USD exchange rate	-40,00%	-3 351
2015		
Change in USD exchange rate	18,00%	835
Change in USD exchange rate	-40,00%	-1 856

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:

The Group	Payable on demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
31 December 2016					
Loans and borrowings, principal amount	-	6 852	167 962	31 408	206 222
Interest payable	2 640	-	-	6379	9 019
Trade and other liabilities (Note 22)	5 637	4 936	-	-	10 573
	8 277	**11 788**	**167 962**	**37 787**	**225 814**
31 December 2015					
Loans and borrowings, principal amount	-	-	34 680	52 694	87 374
Interest payable	-	552	5 596	-	6 149
Trade and other liabilities (Note 22)	-	3 275	4 483	-	7 758
	0	**3 827**	**44 759**	**52 694**	**101 281**

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 18.

Notes to the consolidated financial statement (in thousands of SEK) 57

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 2016						
Trade and other receivables	-	5 914	-	-	-	5 914
	-	5 914	-	-	-	5 914
31 December 2015						
Trade and other receivables	-	2 319	-	-	-	2 319
	-	2 319	-	-	-	2 319

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 Group	2016	2015
Loans and borrowings	205 220	93 729
Trade and other liabilities	12 355	10 485
Less cash and cash equivalents	-12 898	-18 522
Net debt	**204 677**	**81 593**
Equity	440 759	357 343
Total equity and net debt	645 436	438 936
Gearing ratio	**32%**	**19%**

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 2016 was because we had a large amount of crops in stock.

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.

58 Notes to the consolidated financial statement (in thousands of SEK)

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	
	2016	**2015**	**2016**	**2015**
Loans and receivables				
Cash and cash equivalents	12 898	18 522	12 898	18 522
Trade and other receivables	5 914	2 319	5 914	2 319
Other financial liabilities				
Trade and other liabilities	12 355	10 485	12 355	10 485
Loans and borrowings	205 220	93 729	205 220	93 729

29. PLEDGED ASSETS

The Group	2016	2015
Property, plant and equipment	69 641	45 598
Inventories	128 634	-
Escrow account	10 916	10 023
	209 191	**55 621**

30. SURETY

The Group	2016	2015
Escrow account	10 916	10 023
	10 916	**10 023**

31. EVENTS AFTER THE REPORTING DATE

During the first quarter of 2016, 18,700 tonnes of sunflower and 11,700 tonnes of soybean, were sold at 10 060 UAH/t.

Notes to the consolidated financial statement (in thousands of SEK) 59

PARENT COMPANY'S STATEMENT OF COMPREHENSIVE INCOME

The Parent Company	Notes	2016	2015
Revenue from sales		-	-
Gross profit		**-**	**-**
General and administrative expenses	2	-5 254	-6 796
Operating profit / (loss)		**-5 254**	**-6 796**
Finance costs	3	-4 063	-3 925
Finance income	4	2 151	2 754
Foreign exchange gain	5	4 649	5 046
Profit / (loss) before tax		**-2 516**	**-2 921**
Income tax expense	16	-	-
Profit / (loss) for the year		**-2 516**	**-2 921**
Other comprehensive income:		-	-
Total comprehensive income for the year		**-2 516**	**-2 921**

60 Parent Company's statement of comprehensive income (in thousands of SEK)

PARENT COMPANY'S STATEMENT OF FINANCIAL POSITION

The Parent Company	Notes	2016	2015
Non-current assets			
Shares in subsidiaries	6	256 426	256 367
		256 426	**256 367**
Current assets			
Receivable subsidiary	7	41 618	42 796
Other current assets	7	358	622
Cash and cash equivalents	8	11 014	17 740
		52 991	**61 158**
Total assets		**309 418**	**317 525**
Equity			
Issued capital	9	11 556	11 556
Other contributed capital		278 295	278 295
Retained earnings		-44 772	-42 255
		245 080	**247 596**
Non-current liabilities			
Loans and borrowings	10	500	2 054
Loans and borrowings relative parties	10	57 751	55 413
		58 251	**57 467**
Current liabilities			
Loans and borrowings relative parties	10	5 495	12 150
Trade and other liabilities	11	490	312
Other current liabilities	11	102	-
		6 087	**12 462**
Total liabilities		**64 338**	**69 929**
Total equity and liabilities		**309 418**	**317 525**

Parent Company's statement of financial position (in thousands of SEK)

PARENT COMPANY'S STATEMENT OF CHANGES IN EQUITY

The Parent Company	Issued capital (restricted equity)	Other contributed capital (non-restricted equity)	Retained earnings (non-restricted equity)	Total equity
Balance at 31 December 2014	**11 556**	**278 295**	**-39 150**	**250 701**
Profit for the year			-2921	-2921
Total comprehensive income			**-2 921**	**-2 921**
Transactions with owners				
Issue of capital				
Balance at 31 December 2015	**11 556**	**278 295**	**-42 071**	**247 780**
Profit for the year			-2 516	-2 516
Total comprehensive income			**-2516**	**-2516**
Transactions with owners				
Issue of capital				
Balance at 31 December 2016	**11 556**	**278 295**	**-44 772**	**245 079**

62 Parent Company's statement of changes in equity (in thousands of SEK)

PARENT COMPANY'S STATEMENT OF CASH FLOWS

The Parent Company	2016	2015
Operating activities		
Profit / (loss) before tax	-2 516	-2 921
Non cash adjustments:		
Finance income	-2 151	-2 754
Finance costs	4 063	3 925
Working capital adjustments:		
Change in trade receivables and other current assets	1 441	25 780
Increase in trade and other payables and other current liabilities	-6 375	-8 464
	-5 539	**15 566**
Interest received	2 151	2 754
Income tax paid	-	-
Net cash flows from operating activities	**-3 388**	**18 320**
Investing activities		
Purchase of financial assets	-	-
Net cash flows used in investing activities	**-**	**-**
Financing activity		
Proceeds from loans and borrowings	784	464
Interest paid	-4 063	-3 918
Net cash flows from financing activities	**-3 279**	**-3 454**
Net change in cash and cash equivalents	-6 667	14 866
Foreign exchange difference cash	-	-
Cash and cash equivalents at 1 January	17 740	2 874
Cash and cash equivalents at 31 December	**11 014**	**17 740**

Parent Company's statement of cash flows (in thousands of SEK)

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENT

1. 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 for the investment in prior years. Such reversal is recognised in the statement of comprehensive income.

2. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The Parent Company	2016	2015
General and administrative expenses		
Payroll and related taxes	-	-
Professional services (i)	5 254	6 796
Other expenses	-	-
	5 254	**6 796**

Audit fees for the parent company and the Group in year 2016 and 2015 relates to fees payable to Ernst & Young. Audit fees included in the general and administrative costs are as follows:

The Parent Company	2016	2015
Audit assignment fees	786	1 306
	786	**1 306**

Notes to the Parent Company's financial statement (in thousands of SEK) 65

3. FINANCE COSTS

The Parent Company	2016	2015
Interest on loans and borrowings	4 063	3 925
	4 063	**3 925**

4. FINANCE INCOME

The Parent Company	2016	2015
Interest income	2 151	2 754
	2 151	**2 754**

5. FOREIGN EXCHANGE GAIN/LOSS

Concern	2016	2015
Foreign exchange difference on loans within the group	3 467	5 330
Foreign exchange difference cash	1 182	-285
	4 649	**5 046**

6. SHARES IN SUBSIDIARIES

The Parent Company	
As at 1 January 2015	256 530
Investments in subsidiaries	-
Liquidation subsidiaries	-163
As at 31 December 2015 (i)	**256 367**
Investments in subsidiaries	59
Liquidation subsidiaries	-
As at 31 December 2016 (i)	**256 426**

(i)	2016	2015
Barishevska Grain Company LLC	256 367	256 367
Khmelnitska Grain Company	59	-
	256 426	**256 367**

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

7. TRADE AND OTHER RECEIVABLES, OTHER CURRENT ASSETS

The Parent Company	2016	2015
Trade and other receivables		
Trade receivables due from related party (Note 13)	41 618	42 796
	41 618	**42 796**
Other current assets		
Advances paid	355	622
	355	**622**

For detailed information about aging see note 14.

8. CASH AND CASH EQUIVALENTS

The Parent Company	2016	2015
Cash:		
– on bank accounts	98	7 717
– escrow account	10 916	10 023
	11 014	**17 740**

9. SHARE CAPITAL

The registered share capital amounts to SEK 11 556 (2015: SEK 11 556) and consists of 7 807 775 shares (2015: 7 807 775 shares). BZK Grain Alliance AB only has one class of shares carrying equal voting power.

Notes to the Parent Company's financial statement (in thousands of SEK) 67

10. LOANS AND BORROWINGS

As at 31 December 2016 loans and borrowings are as follows:

The Parent Company			Maturity 2017	Maturity 2018 – 2020	
	Currency	Interest	Current portion	Non-current portion	Total
Related party (Note 13)	SEK	4-7%	5 496	9 613	15 109
Convertible loans	SEK	3,5-7%	-	500	500
Convertible loans related party	SEK	3,5-7%	-	48 139	48 139
			5 496	**58 251**	**63 747**

As at 31 December 2015 loans and borrowings are as follows:

The Parent Company			Maturity 2016	Maturity 2017 – 2019	
	Currency	Interest	Current portion	Non-current portion	Total
Related party (Note 13)	SEK	4-7%	12 150	9 177	21 327
Convertible loans	SEK	3,5-7%	-	2 054	2 054
Convertible loans related party	SEK	3,5-7%	-	46 236	46 236
			12 150	**57 467**	**69 617**

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.

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

11. TRADE AND OTHER LIABILITIES, OTHER CURRENT LIABILITIES

The Parent Company	2016	2015
Trade and other liabilities		
Trade liabilities	10	22
Payroll and related taxes	-	-
Other	480	290
	490	**312**
Other current liabilities		
Other	110	-
	110	**-**

12. NUMBER OF EMPLOYEES AND EMPLOYEE BENEFITS

Number of employees	2016			2015		
	Women	**Men**	**Total**	**Women**	**Men**	**Total**
Sweden	-	-	-	-	-	-
Ukraine	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**

The Parent Company	2016	2015
Employee benefits		
Board and senior executives	-	-
Pension costs	-	-
Social security costs	-	-
	-	**-**

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

Notes to the Parent Company's financial statement (in thousands of SEK) 69

13. RELATED PARTY DISCLOSURES

ULTIMATE CONTROLLING PARTY

As at 31 December 2015 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.

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

	2016	2015
Entity under common control		
Loans and borrowings (Note 10)	-63 246	-67 565
Of which:		
CA Investment AB	-6 265	-12 906
CA Agroinvest AB	-55 327	-53 090
Ukrainian Investment AB	-1 654	-1 569
Subsidiary		
Trade and other receivables	**41 618**	**42 796**
– Baryshevski Grain Company LLC		

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

	2016	2015
Purchase of services	-1 556	-3 365
Of which:		
SPD Radovenyuk	-	-1 268
UkrEthanol	-1 556	-2 097
Interest expenses	-3 729	-3 433
Of which:		
CA Investment AB	-207	-363
CA Agroinvest AB	-3436	-2985
Ukrainian Investment AB	-85	-85

COMPENSATION TO KEY MANAGEMENT PERSONNEL

For the year ended 31 December 2016, remuneration paid to key management personnel is SEK 0 (2015: 0). Compensation comprised the contractual salary and related taxes.

There are no key management personnel as of 31 December 2016 (2015: zero).

70 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 2016 and 2015. 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 2016 and 2015.

INTEREST RATE RISK

The following table demonstrates the sensitivity to a reasonably possible change in the interest rates, all other va riables equal, of the company's profit before tax.

		Effect on profit before tax
	Change in basis points	The Parent Company
2016		
Change in interest rate (LIBOR)	50	-59
Change in interest rate (LIBOR)	-12	14
2015		
Change in interest rate (LIBOR)	50	-92
Change in interest rate (LIBOR)	-12	22

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.

Notes to the Parent Company's financial statement (in thousands of SEK) 71

	Change in foreign currency rate %	Effect on profit before tax The Parent Company
2016		
Change in USD exchange rate	18	9 449
Change in USD exchange rate	-40	-20 999
2015		
Change in USD exchange rate	18	9 048
Change in USD exchange rate	-40	-20 108

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:

The Parent Company	Payable on demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
31 December 2016					
Loans and borrowings, principal amount	-	-	5 495	51 664	57 159
Interest payable	-	-	-	6 587	6 587
Trade and other liabilities (Note 11)	-	480	-	-	480
	-	**480**	**5 495**	**58 251**	**64 226**
31 December 2015					
Loans and borrowings, principal amount	-	-	12 150	51 664	63 814
Interest payable	-	-	-	5 804	5 804
Trade and other liabilities (Note 11)	-	312	-	-	312
	-	**312**	**12 150**	**57 468**	**69 930**

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

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 2016						
Receivable subsidiary	-	8 111	-	7 733	25 775	41 681
Trade and other receivables	-	-	-	-	-	-
	-	**8 111**	**-**	**7 733**	**25 775**	**41 681**
31 December 2015						
Receivable subsidiary	-	7 299	-	7 100	28 397	42 796
Trade and other receivables	-	-	-	-	-	-
	-	**7 299**	**-**	**7 100**	**28 397**	**42 796**

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	2016	2015
Loans and borrowings	63 746	69 618
Trade and other liabilities	592	312
Less cash and cash equivalents	-11 014	-17 740
Net debt	53 222	52 190
Equity	245 080	247 596
Total equity and net debt	298 302	299 786
Gearing ratio	**18%**	**17%**

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) 73

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	
	2016	**2015**	**2016**	**2015**
Loans and receivables				
Cash and short-term deposits	11 014	17 740	11 014	17 740
Trade and other receivables	41 977	43 418	41 977	43 418
Other financial liabilities				
Trade and other payables	592	312	592	312
Loans and borrowings	63 746	69 617	63 746	69 617

16. PLEDGED ASSETS AND SURETY

The Parent Company	2016	2015
Pledged assets		
Escrow account	10 916	10 023
	10 916	**10 023**
Surety		
Surety for subsidairies	90 971	-
Escrow account	10 916	10 023
	101 887	**10 023**

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

17. INCOME TAX

As at 31 December 2016, the tax loss carried forward is SEK 38 001 (2015: SEK 35 484). The Company has not recognized deferred tax assets as deficit.

18. EVENTS AFTER THE REPORTING DATE

No essential event for the parent company has occurred after the reporting period.

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GRAIN ALLIANCE

ANNUAL REPORT 2018

BZK GRAIN ALLIANCE AB
CORPORATE IDENTITY NUMBER: 556754-1056

ANNUAL REPORT AND CONSOLIDATED ACCOUNTS
FOR THE FINANCIAL YEAR
1 OF JANUARY 2018 - 31 OF DECEMBER 2018

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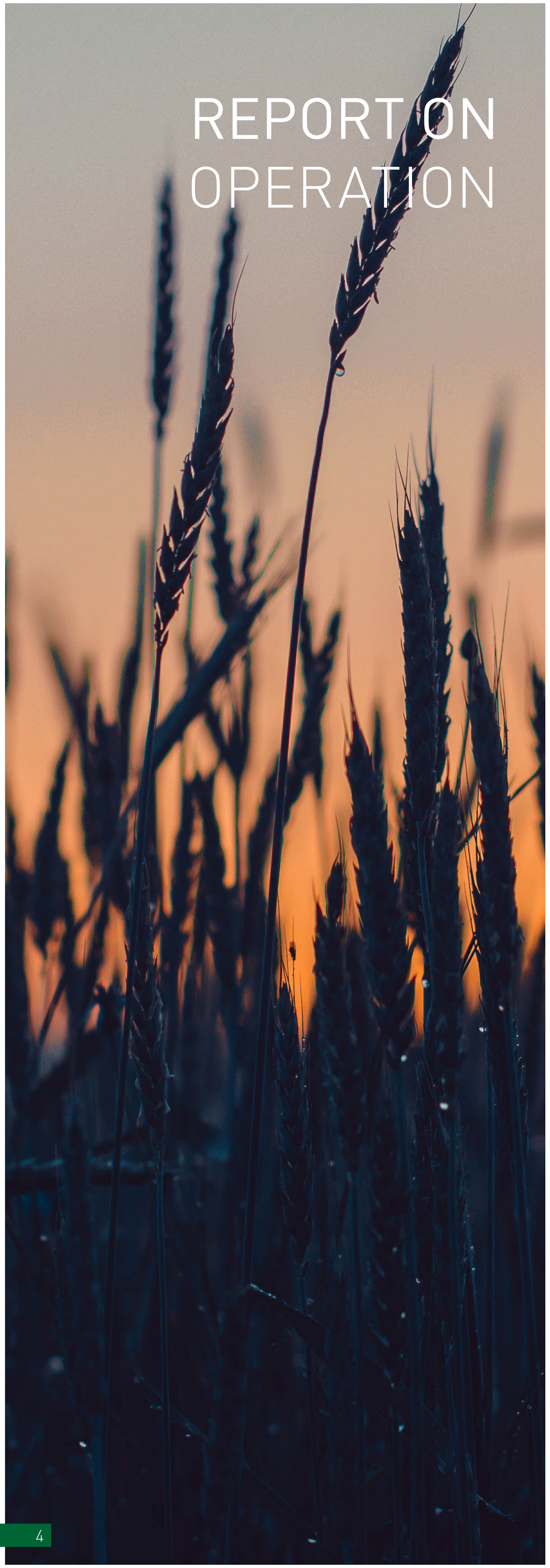


REPORT ON OPERATION

ABOUT GRAIN ALLIANCE

Grain Alliance is one of the leading agricultural companies in Ukraine. The company cultivates around 54,000 hectares of arable land in central Ukraine. The foundation for BZK Grain Alliance AB was laid in 1998. At that time, the company was primarily 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 established a new company structure - Grain Alliance. Under this new corporate structure, the land bank has gradually increased and the company has become more profitable, sustainable and straightforward.

In conjunction with the Swedish investments into the company a profound reorganization and restructuring was initiated. The company's operations were enhanced and new modern corporate governance principles were introduced. Moreover, 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 centre of the Ukrainian black earth belt. The company operates in four districts in Ukraine: Kyiv, Poltava, Cherkasy and Chernihiv districts. The agricultural operations are divided into four regions (clusters), where each region cultivates between 8,000 and 18,000 hectares. Each of the regions is fully equipped with modern agricultural equipment and the short distances between the regions enable the efficient utilization of machinery. In order to allow efficient handling and storage of the produced grain, the company has five drying facilities, three of which have a direct rail connection.

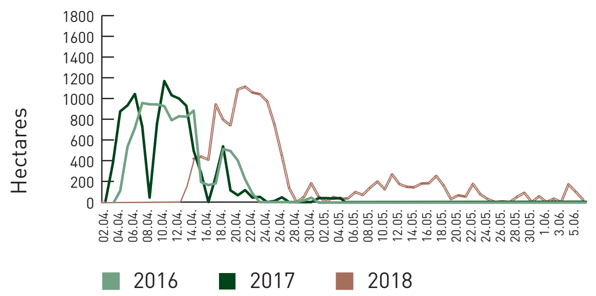
Efficiency and control are lead in Grain Alliance's strategy and therefore the company tends land within a limited geographical area. The radius of Grain Alliance's core area (the area farmed) is about 80 kilometres. During the past years, the company has gradually expanded and developed 15,000 ha in the Chernihiv region, north of Kyiv. Cultivating land in a limited geographical area allows a more efficient use of resources as transport for both equipment and crops is shorter. The simple fact that the lands are within an hour's drive from the main office also strengthens the control. Farming is an activity that requires hands-on monitoring and control. Grain Alliance operations are further supported by the five central grain handling 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 mitigates logistic risks and gives the Company the opportunity to sell the crops when prices are most attractive. Due to land bank expansion in Chernihiv, last year Grain Alliance started development and launched the drying and storage facility there.

SEEDING 2018

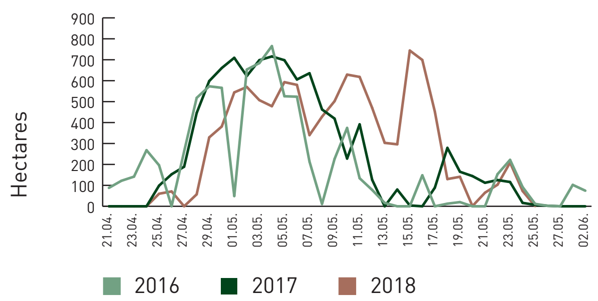
Grain Alliance has faced the major challenge in sowing campaign 2018 – late spring with snow still in fields till mid-April. The weather conditions during April were extremely cold, what squeezed the timing of seeding campaign. However, timely purchase of two Austrian high performing multi-operational seeding machines and two American self-propelled sprayers, which are essential units of Grain Alliance equipment upgrade program, helped to finalize the seeding campaign in time.

Total sowing area was around 53 000 hectares, out of which 51 000 hectares of the main crops: corn, wheat, sunflower and soybeans; 2 000 hectares of forage and other crops, as oil flax, spelt, etc. The seeding began in late terms - April 04 and ended in regular terms - end-May. On average 1000 hectares per day were seeded. The diagram below illustrates the difference in sowing period and seeding rate compared with the previous years:

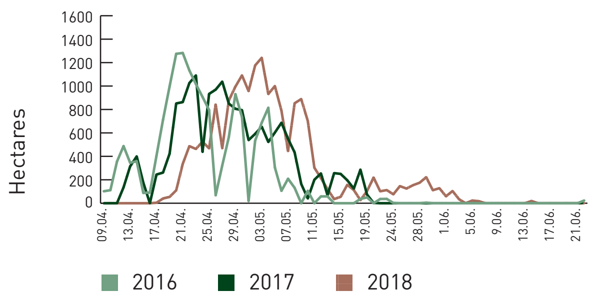
SUNFLOWER SEEDING 2016 – 2018



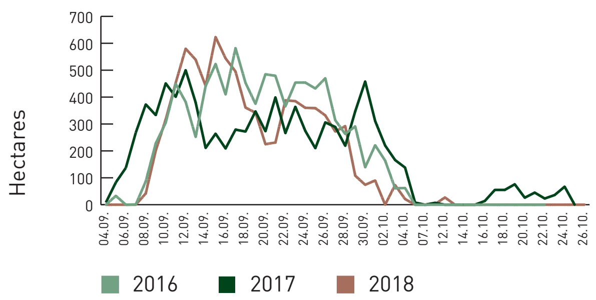
SOY SEEDING 2016 – 2018



CORN SEEDING 2016 – 2018

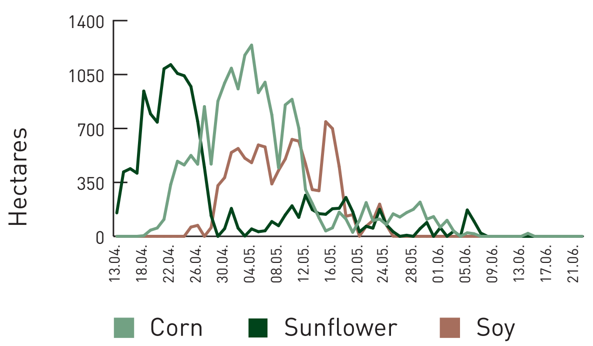


WINTER WHEAT SEEDING 2016 – 2018



Grain Alliance continues development of its own agricultural laboratory that collects and analyses environmental, climate and plant data. The detailed agrochemical inspection of soils was carried out on the area of 22 000 ha with the aim to determine the level of acidity, fertility, content of macro- and microelements as well as diseases and weeds population. The choice of varieties of seeds was further adapted to the regional microclimate, soil types and other specific features.

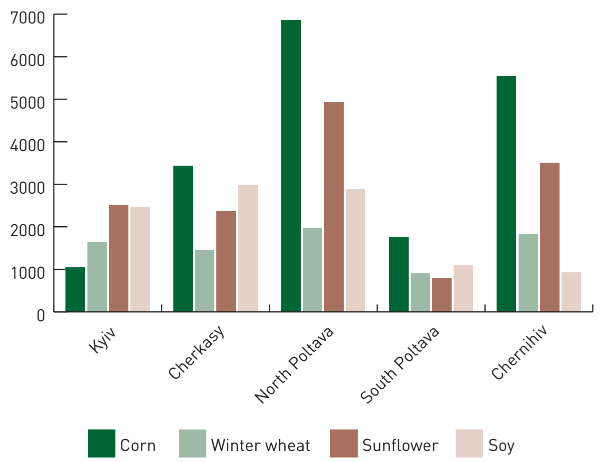
SEEDING PER CROP AND DAY 2018



ALLOCATION OF CROPS

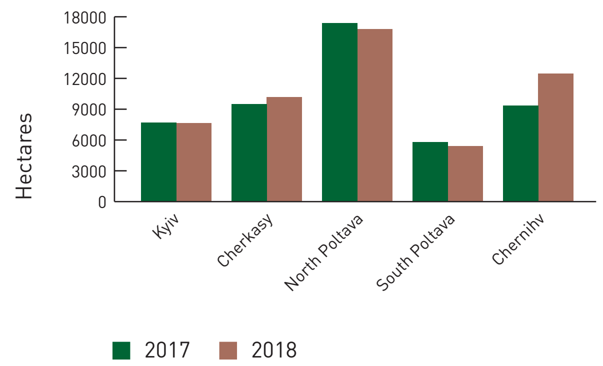
The harvested area increased by 700 hectares (+1.3%) compared with 2017. Poltava and Chernihiv clusters were mostly focused on production of corn and sunflower. The Company has increased the share of sunflower to 14 000 ha (+26% y/y) and soy to 10 300 ha (+8% y/y). The Company continued improvement of soy production technology in the Chernihiv cluster. Corn and sunflower harvest demonstrated sustainable to better results –10.5 and 3.1 tons per hectare in gross.

ALLOCATION OF CROPS PER REGION, 2018

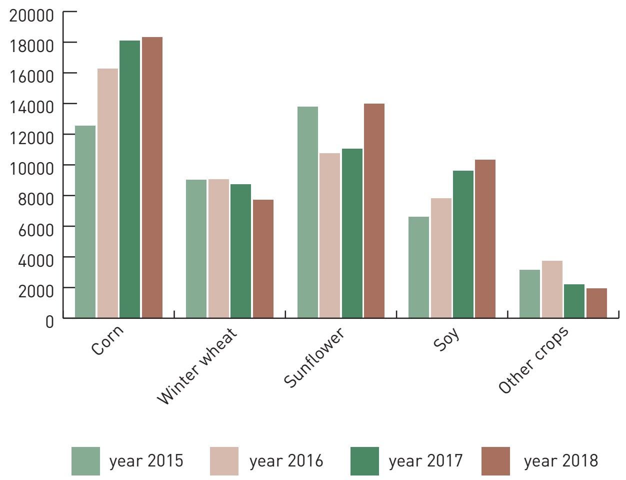


Grain Alliance continued to increase the cultivated area, mainly in the Chernihiv region. The expansion there constituted around 2000 hectares via signing new land leases. In other regions, nearby landowners had fewer opportunities to choose to lease out their land to Grain Alliance and expansion was less dynamic.

SEEDED HECTARES PER REGION 2018 AND 2017



DYNAMIC OF HARVESTED HA 2015 – 2018



HARVEST 2018

The weather during the main vegetation period was pretty much favourable for all crops, besides winter wheat. Early snows and frosts as well as bottle-necks in railway logistics substantially prolonged the harvesting period.

Crop	2015		2016		2017		2018	
	Hectares harvested	Bunker yield, ton/ha	Hectares harvested	Bunker yield, ton/ha	Hectares harvested	Bunker yield, ton/ha	Hectares harvested	Bunker yield, ton/ha
Corn	12 548	7,5	16 271	9,0	18 112	6,8	18 340	10,5
Winter wheat	9 019	4,7	9 066	5,2	8 715	4,6	7 703	5,7
Sunflower	13 787	2,7	10 759	2,7	11 049	2,5	13 969	3,0
Soy	6 612	2,6	7 827	2,9	9 597	2,3	10 341	3,1

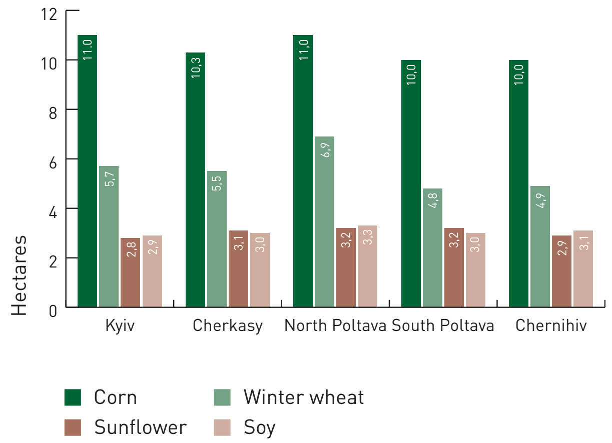
Soybean was seeded in time – between April 25 and May 23, thus giving the plants the 111-119 days of growth required to reach full potential. Seeds were treated with micro- and macro-fertilizers and plants were fed with micro-elements in due time of their vegetation.

Corn was planted mainly in time. Seeds were also treated. Ukrainian hybrids of corn demonstrated good results, comparable to foreign hybrids in conditions of good precipitation.

Winter wheat suffered a lot of rains in July, i.e. during the high harvesting time. In spite of that 70% of Grain Alliance's wheat harvest constituted bread quality wheat. We continue adaptation of wheat varieties to regional weather and crop rotation specifics.

In 2018, all clusters met their target budgets in term of net yields (after cleaning and drying). We also see that the Chernihiv, despite the expansion and poorer soils, continues to deliver reasonable sustainable results.

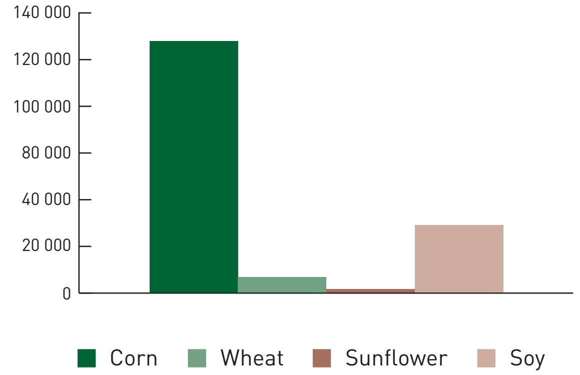
BUNKER YIELDS PER HECTARE, TONS/HA, 2018



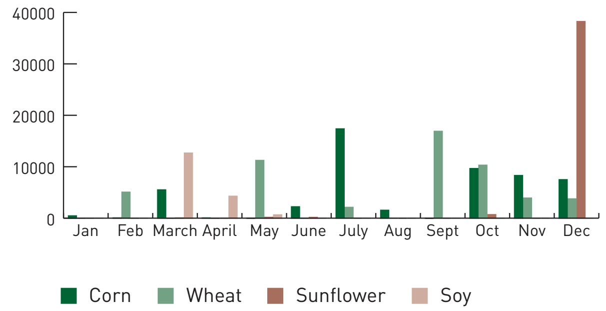
CROP PRICES AND SALES 2018

During the 1st half of 2018, Grain Alliance has been pursuing the export oriented policy. The last years' global harvests and stocks are the largest in history of humanity, which has led to stably low prices. Despite the conflict in the eastern parts of the country Ukraine's grain harvest reached record 70.0 million tons vs 62 million tons in 2017 and 66 million tons in 2016. The local grain market prices were under pressure during harvest, and correlated with the world grain prices during the rest of the year. Certain deviations from world prices were occasionally noted due to limited by logistics bottlenecks supply and simultaneous high demand from the traders in Black Sea ports.

STOCK, TONS AS OF 2018-12-31



SALES, TONS 2018



Grain Alliance initiated much more sales in USD, CPT sea port or DAF Ukrainian border and ensured timely deliveries.

Due to lower interest rates and expectations for devaluation of local currency between fall and winter time, we decided to sell main volumes of grain harvest 2017 during winter – spring 2018 and decided to use benefits of extra credit lines available for early purchase of seeds and fertilizers in December 2018. As of December 31, 2018, the Company had approximately 166 thousand tons of grain in stock.

DIRECTORS' REPORT

RESULT/SALES

As mentioned earlier, grain prices remained at a relatively low level, mainly due to good harvests worldwide and trade tensions between the USA and China. The pressed prices have affected Grain Alliance result. Produces 2018 were evenly sold and shipped to buyers during the marketing year.

CURRENCY

The Company's operational currency is the Ukrainian hryvnia, which demonstrated 12% strengthening in 2018 against the Swedish krona, and did not devaluate against the world's major trading currencies.

Due to the Ukrainian hryvnia stabilization the Ukrainian National Bank further soften restrictions on the forex market in comparison to 2017 allowing for dividends payment for 2014-2016 and ratio of obligatory currency sales was decreased from 75% to 50%.

INVESTMENTS DURING 2018

Grain Alliance expanded the land bank organically via signing new land lease agreements with individuals in the neighbouring villages and did related investments into machinery and infrastructure to support growth. Previous investments into biomass thermal generator at the elevators in Yahotyn, Pyriatyn and Nizhyn has fully demonstrated viability and efficiency as 70% of processed grain was dried up with biomass facilities. Thus, the Company continued its efforts in substitution of natural gas consumption by dryers with bio-fuel – wastes of grain cleaning and wooden/sunflower husk pellets. The goal is to reduce the dependence on natural gas as much as possible and to increase the share of renewable fuel in our dryers. We did not expand our storage capacities furthermore but to decrease the negative effect of railroad wagons deficit we effectively used plastic bags to store more than 30 000 tons of grain. Since April 2017, the Company started installation of the brand-new elevator in the Chernihiv region, close proximity to the Nizhyn city. Its storage capacity constitutes 24 000 tons; the dryer was equipped with bio-fuel generator. It was fully utilized last year and processed about 60 000 tons of corn during the harvest time. In coming years, the Nizhyn elevator will be expanded to 72 000 tons of storage that will reduce costs on transportation of grain from the fields to the exiting elevators.

STORAGE AND DRYING CAPACITY 2018-12-31

Elevators	Baryshivka	Berezan	Yahotyn	Pyriatyn	Nizhyn	Yarmolyntsi
Maximum storage cap.	18 000 t.	44 000 t.	55 000 t.	105 000 t.	24 000 t.	16 000 t.
Type of storage	Flat bed	Flat bed + steel silos	Flat bed + steel silos	Steel silos	Steel silos	Flat bed + steel silos
Drying cap.	650 t/day	1 000 t/day	1 000 t/day	1 800 t/day	800 t/day	600 t/day
Railroad	On site	On site	8 km	On site	On site	5,5 km
Shipment cap	400 t/day	1 000 t/day	800 t/day	1750 t/day	1 750 t/day	800 t/day

EMPLOYEES

The average number of employees in 2018 was 1213, divided between 252 women and 961 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 harvest.

OWNERSHIP

In total, there are 7,807,775 shares in the company. The principal owner Agro Ukraina AB, owns 7, 801 155 (99.92%) of the shares. Behind it stands the CA group.

ENVIRONMENTAL ASPECTS AND SUSTAINABILITY

Sustainability and caring for the environment is 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. With this objective the Company extended soybeans production in 2018 which enriches soil with nitrogen and organic leftovers. The crop production approach is based on scientific measurements of the soils and modern production methods. Since 2008 Grain Alliance has carried out annual soil analysis on the cultivated fields. Our laboratory was further strengthened with additional tools in 2018 allowing for analysis of plants development in fields and diagnostics of diseases. 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, and the old outdated equipment has been replaced in favour of modern equipment. We also introduce new methods of balanced plants' feeding with micro- and macro- fertilizers during vegetation period to avoid soil exhaustion. The Company's long-term goal is to increase the share of renewable fuels in our production as well as in heating of villages and towns around us. The investment in the thermal generators in Yahotyn, Pyriatyn and Nizhyn allowed for decrease in natural gas consumption. Granulation of wastes after grain cleaning on the elevator in Berezan allowed substitution of natural gas with this bio-fuel in all premises of the Company.

HUMAN RESOURCE POLICY

Grain Alliance has an active HR policy that centres around 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, unbalanced trade balance and strained public finances. The operations as such are also associated to risks in the form of volatile world prices, climate change and other external influences on the soil and crops. The fact that operations are conducted in Ukraine also entails elevated economic and political risks compared with, for example, Sweden. In 2018, the Ukrainian political and economic situation demonstrated slight improvements. The political situation remains unchanged and continued military conflict in the eastern parts of Ukraine has affected the operations and financial result. An eventual further deterioration of the political and macroeconomic situation in Ukraine may affect the subsidiaries' situation negatively. Relations between Ukraine and the Russian Federation are 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 and continue reforms and prudent fiscal policies. The Ukrainian government has the intention to continue to come closer to the EU by pursuing a broad reform agenda that seeks to create balance in the public finances and improve the investment climate.

The company monitors the current situation and if necessary measures are 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 proceeds from sales were used to repay short-term debts in local currency and for purchase of agricultural inputs (seeds, herbicides, fertilizers) and agricultural machinery. The low market prices resulted in the company breaking the loan agreement with Credit Agricole, UkrSibbank and OTP Bank, which gives the bank a formal right to demand immediate payment of the loans. The company has, of course, conducted a dialogue with the banks and had a consensus on how the company should act, which means that all banks have chosen not to request repayment of the loans. Parts of the loans have been repaid after the balance sheet date with a total of 478.8 million UAH, and new loans have been taken with a total of 261.3 million UAH.

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

During the first quarter of 2019, 77 200 tons of corn, 6 000 tons of wheat and 7 500 tons of soy, which were kept as security against possible further devaluation of local currency before seeding 2019, were sold by 4600 UAH/t, 6160 UAH/t and 9570 UAH/t.

PLANS FOR THE FUTURE

Grain Alliance will continue to produce crops in Ukraine and 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 and logistic bottlenecks during harvest time. The planned expansion will mainly take place in the regions where the company already has significant operations, but also other geographical areas deemed by the Board to be of interest for potential expansion. In addition to the expansion of the land bank and further investment in equipment upgrade, the company will continue enhancement of agro-technical techniques with an increased focus on agronomy and in-house scientific laboratory development. Some limited changes will be implemented in crop rotation as well.

KEY RATIOS

	2018	2017	2016	2015	2014
Turn over, KSEK	366 818	438 041	211 179	402 072	225 106
Operational result, KSEK	147 019	43 396	104 734	185 240	93 847
Result after financial costs, KSEK	130 293	10 411	84 071	129 294	2 230
Equity ratio %	56,74%	60,52%	55,70%	65,50%	32,20%
Cash flow, KSEK	9 084	12 113	-5 748	14 609	1 711

OUTLINE OF THE PARENT COMPANY RESULTS

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

	SEK
Retained earnings	231 985 046
Net result of the period	14 227 417
	246 212 463

The Board proposes that the profit/loss be appropriated as follows:	
Dividend	0
To be carried forward	246 212 463

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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of SEK

	Notes	The Group 2018	The Group 2017
Revenue from sales	5	366 818	438 041
Net gain / (loss) on fair value measurement of biological assets and agricultural produce	17	151 518	21 229
Cost of sales	6, 12	-329 491	-379 659
Gross profit		**188 845**	**79 611**
Other operating income	7	4 042	3 026
General and administrative expenses	8	-25 185	-24 974
Selling expenses	8	-14 593	-5 149
Other operating expenses	9	-6 090	-9 119
Operating profit / (loss)		**147 019**	**43 396**
Finance costs	10	-23 952	-26 698
Finance income	11	4 062	1 073
Foreign exchange gain	13	3 165	-7 360
Profit / (loss) before tax		**130 293**	**10 411**
Income tax expense	14	-15	-2
Profit / (loss) for the year		**130 278**	**10 409**
Other comprehensive income:			
Items that can be reclassified in the income statement			
Foreign exchange differences		34 036	-38 970
Tax effect		-	-
Total comprehensive income for the year		**34 036**	**-28 561**
Whereof attributed to equity holders of the company		130 278	10 409
Whereof attributed to equity holders of the company		164 314	-28 561

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of SEK

	Notes	The Group 2018	The Group 2017
Non-current assets			
Property, plant and equipment	15	199 555	160 952
Biological assets	17	1 312	5 920
Other non-current assets	16	14 834	2 332
		215 701	**169 204**
Current assets			
Inventories	18	345 090	140 343
Biological assets	17	22 678	24 842
Trade and other receivables	19	65 239	5 759
Other current assets	19	38 377	39 452
Cash and cash equivalents	20	34 097	25 012
		505 481	**235 408**
Total assets		**721 182**	**404 612**
Equity			
Issued capital	21	11 556	11 556
Other contributed capital		278 295	278 295
Foreign currency translation reserve		-172 240	-206 276
Retained earnings		291 594	161 316
		409 205	**244 891**
Non-current liabilities			
Loans and borrowings relative parties	22	10 483	10 048
		10 483	**10 048**
Current liabilities			
Loans and borrowings bank	22,29	230 216	77 453
Loans and borrowings relative parties	22	40 925	47 591
Trade and other liabilities	23	26 429	13 691
Trade and other liabilities relative parties	23	-	230
Other current liabilities	23	3 924	10 707
		301 494	**149 672**
Total liabilities		**311 977**	**159 720**
Total equity and liabilities		**721 182**	**404 612**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of SEK

The Group	Issued capital	Other contributed capital	Foreign exchange differences	Retained earnings	Total equity
Balance at 31 December 2016	**11 556**	**278 295**	**-167 305**	**150 908**	**273 454**
Profit for the year	-	-	-	10 409	10 409
Other comprehensive income	-	-	-38 970	-	-38 970
Total comprehensive income	-	-	**-38 970**	**10 409**	**-28 561**
Transactions with owners					
Issue of capital	-	-	-	-	-
Balance at 31 December 2017	**11 556**	**278 295**	**-206 275**	**161 317**	**244 893**
Profit for the year	-	-	-	130 278	130 278
Other comprehensive income	-	-	34 036		34 036
Total comprehensive income	-	-	**34 036**	**130 278**	**164 314**
Transactions with owners					
Issue of capital	-	-	-	-	-
Balance at 31 December 2018	**11 556**	**278 295**	**-172 240**	**291 595**	**409 205**

CONSOLIDATED STATEMENT OF CASH FLOW

In thousands of SEK

The Group	2018	2017
Operating activities		
Profit / (loss) before tax	130 278	10 412
Non-cash adjustments:		
Depreciation	18 758	17 585
Gain on sales of fixed assets	-728	-836
Finance income	-151	-111
Foreign exchange gain	-3 165	7 360
Finance costs	17 296	24 111
Working capital adjustments:		
Change in biological assets	11 272	6 998
Change in trade receivables and other current assets	-50 289	-5 581
Change in agricultural produce and other inventories	-174 701	70 034
Increase in trade and other payables and other current liabilities	-1 343	14 436
	-52 773	**144 407**
Interest received	151	111
Net cash flows from operating activities	**-52 622**	**144 518**
Investing activities		
Purchase of property, plant and equipment	-37 517	-52 706
Prepayments for property, plant and equipment	-12 502	-
Sales of property, plant and equipment	725	1 061
Proceeds from (payments for) other non-current assets, net	-	-1 949
Net cash flows used in investing activities	**-49 295**	**-53 594**
Financing activity		
Proceeds from loans and borrowings	317 598	300 965
Repayment of loans and borrowings	-190 384	-354 137
Interest paid	-17 296	-24 111
Net cash flows from financing activities	**109 919**	**-77 283**
Net change in cash and cash equivalents	8 001	13 641
Foreign exchange difference cash	1 082	- 1 527
Cash and cash equivalents at 1 January	25 012	12 898
Cash and cash equivalents at 31 December (Note 20)	**34 096**	**25 012**

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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 (Humlegårdsgatan 19A, 114 46, Stockholm) in Sweden. The company is a majority-owned subsidiary of Agro Ukraina AB (corporate id.number 559040-4157, with registered office in Kalmar). Agro Ukraina 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	2016	2015
Baryshevski Grain Company LLC	32886518	Ukraina, Baryshevka	Planting, livestock farming	100%	100%
Ukraine LLC	3772950	Ukraina, Chyutivka	Planting, livestock farming	100%	100%
Ukraine LLC	3771896	Ukraina, Ovsyuki	Planting, livestock farming	100%	100%
Khmelnitska Grain Company LLC	39843554	Ukraine, Yarmolenci	Planting	100%	100%
Charity Foundation "Development of the village"	38467802	Ukraine, Baryshevka	Charity fond	100%	100%

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

1.1 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. Following the significant deterioration in 2014-2016, the current political and economic situation in Ukraine remains unstable. The Ukrainian government continues to pursue a comprehensive structural reform agenda aiming at the removal of the existing imbalances in the economy, public finance and governance, fighting corruption, reforming judiciary system etc. with the goal to secure conditions for the economic recovery in the country.

2. BASIS OF PREPARATION

These consolidated financial statements were approved for issue by management on 26 of June 2019. The Board has presented the annual report for publication on 12 of June 2019.

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 2018.

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 REPORTING 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 approximates 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 VALUED AT LEVEL 3

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

IFRS 9 has been applied from the fiscal year beginning January 1, 2018.

The Group's financial instruments consist of cash and bank, accounts receivable and other receivables on the asset side. The liability side includes accounts payable, other liabilities and loans.

From the financial year January 1, 2018, IFRS 9 is applied and replaces IAS 39. The Group has not recalculated comparative figures for the financial year 2017, in accordance with the standard's transition rules. Financial instruments are classified into the following categories:

- amortized cost
- fair value through other comprehensive income
- fair value through profit or loss

How the asset is classified depends on the form of the cash flows the asset gives rise to, and the business model the asset belongs to.

Financial assets valued at amortized cost
Assets held for the purpose of collecting contractual cash flows, which consist only of capital amounts and interest, are valued at amortized cost. Initially, the asset is valued at fair value and subsequently the asset is valued at amortized cost. Interest income from these assets is reported using the effective interest method and is reported as financial income. The Group's financial assets that are valued at amortized cost consist of accounts receivable and other receivables, as well as cash and cash equivalents. A financial asset is removed from the balance sheet when the rights in the agreement are realized, expire or when the company no longer has control over the asset.

Financial assets at fair value through other comprehensive income
Assets held for the purpose of collecting contractual cash flows and which can be sold, where the cash flows of the assets consist solely of capital amounts and interest, are reported at fair value through other comprehensive income. Changes in carrying amount are reported through other comprehensive income, except for interest income, exchange rate differences and write-downs that are reported in the income statement.

Financial assets at fair value through profit or loss
Assets that do not meet the criteria for being recognized at amortized cost or fair value through other comprehensive income are measured at fair value through the income statement.

Impairment of financial assets
An impairment model based on expected loan losses is used and takes into account forward-looking information. The model is a three-step model that involves:

Step 1: A reserve that corresponds to the expected loan losses in the next twelve months.

Step 2: If a credit risk has increased significantly since the first accounting date, a reserve corresponding to expected loan losses is reported throughout the term.

Step 3: If a loss event has occurred, the write-down shall be valued in the same way as in step 2, which means that the loss is valued at the amount corresponding to expected credit losses throughout the term.

Financial liabilities
Financial liabilities are reported at amortized cost, except derivatives. Financial liabilities are initially measured at fair value including transaction costs.

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.

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 company pays fixed contributions and have no obligations to pay further contributions. 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.

Termination benefits
A debt is recognized at the point of termination only if the company is provably committed to terminate the employment before ordinary time or when benefits is offered to encourage optional departure.

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
The Group's revenue flows are analyzed in accordance with the five-step model set out in IFRS 15. The Group's income is recognized at each time when crops are sold. Revenue is recognized when the Group fulfills a commitment by transferring the agreed crop and the customer thereby gaining control of the crop. Delivery is done according to agreed delivery terms.

Revenues amounts to the amount that the Group expects to receive as compensation for the transferred crops. A receivable is recognized at the time the compensation becomes unconditional, ie. only the passing of time is required for payment to take place. The most common payment procedure is that about 90% is paid within three days from the time the crops have been placed in the wagons they are to be transported in, the remaining 10% must be paid within three days after the crops have been weighed in the port from which they are to be transported. The transaction price consists of a determined price for each individual agreement and the revenue from the sale is reported based on the price in the agreement. The sales price does not consist of variable parts and there are no additional performance commitments other than those described above.

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 simplified tax (called fixed agricultural tax in past) 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 unified tax is assessed at 0.95% on the deemed value of the land plots owned or leased by the entity (as determined by the relevant State authorities). The rate of tax for the Polissia region and the mountain zones is set at 0.57%. As at 31 December 2018, all Baryshevska Grain Company LLC as a subsidiary was elected to pay the unified tax. The unified 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 since there is uncertainty to what extent these can be used, as the company has historically reported a loss. Nor is there any temporary differences in the Ukrainian subsidiaries when it 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.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

New standards applied during the year had no material impact on the consolidated balance sheet and income statement.

- ***IFRS 9 Financial instruments (2018)***
  IFRS 9 has been applied for the fiscal year beginning January 1, 2018. The Group hasn't calculated comparative figures for the year 2017, in accordance with the transitional rules of the Standard. IFRS 9 has no significant effect on BZK Grain Alliance ABs earnings and financial position.
  The standard replaces IAS 39. IFRS 9 includes requirements for classification and measurement, impairment and hedge accounting. Classification determines how financial assets and liabilities should be accounted for. Financial assets are valued at accrued acquisition value, fair value through other comprehensive income, or fair value through profit or loss. The valuation category to be used is based on the company's business model and the characteristics of contractual cash flows. Regarding impairment, a new write-down model is introduced based on expected losses that take into account forward-looking information, which means an earlier recognition of credit losses and hedge accounting means extended information of risk management.

- IFRS 15 Revenue from Contracts with Customers
  IFRS 15 has been applied for the fiscal year beginning January 1, 2018. The group has used the cumulative effect method.
  IFRS 15 includes requirements for revenue recognition and replaces IAS 18 and IAS 11. The standard addresses a five-step model to account for revenue from contracts with customers. Under IFRS 15, revenue is recognized at the amount that reflects the remuneration the company expects in exchange for transferring the goods or services to a customer. There is no significant effect on BZK Grain Alliance ABs earnings and financial position. Revenue is recognized when the Group fulfills a commitment by transferring the agreed crop and the customer thereby gaining control of the crop. The timing of accounting for the revenue is the same as in the previous accounting principle.
  A number of new standards, amendments to standards and interpretations will come into effect from the financial year 2019 or later and have not been applied in preparing these financial statements.

- IFRS 16 Leases (2019)
  The standard means that the lessee shall account for all contracts that fulfills the definition of a lease in IFRS 16 as assets and liabilities in the balance sheet and depreciation and interest expense in the income statement. Contracts shorter than 12 months and those relating to smaller amounts are excluded. Agreements which today represent operating leases would be activated in the balance sheet.
  IFRS 16 has been applied for the fiscal year beginning January 1, 2019. The group has used the modified retrospective approach which means that comparative figures for 2018 have not been recalculated. The leasing debt has been calculated by discounting the remaining leasing fees on January 1, 2019.
  The Group's leasing commitments mainly consist of land leases. The effect of the new standard gives an increased balance sheet of SEK 260 million SEK in the form of financial liabilities and asset rights.

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.

5. REVENUE FROM SALES

The Group	2018	2017
Corn	83 430	169 905
Sunflower	103 419	151 569
Wheat	87 795	23 979
Milk	7 460	6 408
Soy	61 975	64 778
Barley	-	28
Fertilizers	-	727
Other	10 261	5 628
	354 341	423 021
Auxiliary agricultural services	12 478	15 020
	366 818	438 042

Revenues from three major customers, each individually exceeding 10% of total revenue, amounted to SEK 259 953 (2017: four customers – SEK 325 260).

	The Group 2018	
Suntrade	114 565	31%
Bunge SA	97 148	26%
Globinskiy processing plant, LLC	48 240	13 %
Other	106 865	30%
	366 818	100 %

The Group's income is recognized at each time when crops are sold. Revenue is recognized when the Group fulfills a commitment by transferring the agreed crop and the customer thereby gaining control of the crop. Delivery is done according to agreed delivery terms. The transaction price consists of a determined price for each individual agreement and the revenue from the sale is reported based on the price in the agreement. The sales price does not consist of variable parts and there are no additional performance commitments other than those described above.

6. COST OF SALES

The Group	2018	2017
Depreciation of intangible assets	-	-
Depreciation of property, plant and equipment	17 401	15 918
Cost of auxiliary agricultural services	3 141	1 815
Cost of agricultural produce sold	308 949	361 926
	329 491	379 660

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 8, represents the Company's total depreciation.

7. OTHER OPERATING INCOME

The Group	2018	2017
Gain on accounts payable written off	821	14
Government subsides recognized as income	2 087	1 806
Gain on disposal of inventories	728	836
Other income	406	370
	4 042	3 026

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8. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses	The Group 2018	The Group 2017
Payroll and related taxes	9 379	10 147
Professional services	8 136	7 505
Fuel and other materials used	2 629	2 320
Services provided by third parties	1 956	1 943
Depreciation expenses	1 357	1 667
Repair and maintenance expenses	691	651
Representative costs and business trips	173	236
Other expenses	863	505
	25 185	24 973

Selling expenses	The Group 2018	The Group 2017
Payroll and related taxes	248	374
Professional services	-	8
Fuel and other materials used	216	223
Transportation	14 104	4 463
Repair and maintenance expenses	26	29
Other expenses	-	52
	14 593	5 149

Audit fees for the parent company and the Group in year 2018 and 2017 relates to fees payable to Ernst & Young. Audit fees included in the general and administrative costs are as follows:

The Group	2018	2017
Audit assignment fees	871	641
	871	641

Audit assignments include review of the annual report and the accounting, as well as the administration of the board and the managing director, other tasks that is assigned to the company's auditor, as well as advice or other assistance that is caused by observations during such examination or the implementation of such other tasks.

9. OTHER OPERATING EXPENSES

The Group	2018	2017
Shortages and losses from damage of valuables	444	1 465
Charity expenses (i)	3 399	2 657
Result on disposal of inventories	21	234
Increase in bad debt allowance for trade receivables	527	852
Cost of goods sold	112	431
Impairment losses	-	1 293
Penalties	-	333
Food to employees	-	1 546
Other expenses	1 587	308
	6 090	9 119

Products and services provided to schools, kindergartens and hospitals, provided by the charitable foundation.

10. FINANCE COST

The Group	2018	2017
Interest on loans and borrowings related party	1 931	3 539
Interest on loans and borrowings bank	21 287	22 218
Convertible loans interest	646	674
Convertible loans charges	89	267
	23 953	26 698

11. FINANCE INCOME

The Group	2018	2017
Interest income	4 062	1 073
	4 062	1 073

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12. DEPRECIATION

The Group	2018	2017
Depreciation property, plant and equipment (within cost of sales)	17 401	15 918
Depreciation general and administrative expenses (within general and administrative expenses)	1 357	1 667
	18 758	17 585

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

13. FOREIGN EXCHANGE GAIN/LOSS

The Group	2018	2017
Foreign exchange difference on loans within the Group	3 790	-2 495
Foreign exchange difference on loans	-625	-4 865
	3 165	-7 360

14. INCOME TAX

The Group	2018	2017
Current tax	-15	-2
Defered tax	-	-
	-15	-2

15. PROPERTY, PLANT AND EQUIPMENT

	Land	Building & Constructions	Plant & Equipment	Vehicles	Furniture	Construction in progress	Total
Cost							
As at 1 January 2017	1 951	71 040	99 638	13 939	3 082	12 382	202 031
Additions	-	16 915	51 572	1 784	389	57 428	128 088
Transfer	-	-15 647	-4 373	-1 278	-	-54 084	-75 382
Disposals	-	-164	-246	-269	-25	-	-704
Foreign currency translation differences	-246	-9 049	-16 486	-1 839	-419	-1 840	-29 879
As at 31 December 2017	**1 705**	**63 095**	**130 105**	**12 337**	**3 027**	**13 885**	**224 154**
Additions	-	15 639	19 944	3 473	706	-2 245	37 518
Transfer	-	3 049	-6 511	6 627	61	-3 226	-
Disposals	-	-9	-952	-7	-4	-	-972
Foreign currency translation differences	203	8 100	15 885	1 874	384	1 482	27 928
As at 31 December 2018	**1 908**	**89 874**	**158 472**	**24 304**	**4 174**	**9 896**	**288 628**
Depreciation							
As at 1 January 2017	-	-11 186	-37 360	-4 188	-1 649	-	-54 383
Depreciation for the year	-	-3 832	-11 846	-1 378	-528	-	-17 585
Reclassification	-	-	-	-	-	-	-
Disposals	-	72	219	154	34	-	479
Foreign currency translation differences	-	1 725	5 682	630	249	-	8 286
As at 31 December 2017		**-13 221**	**-43 305**	**-4 782**	**-1 893**	**-**	**-63 202**
Depreciation for the year	-	-3 349	-11 631	-3 000	-777	-	-18 758
Reclassification	-	6	984	-977	-13	-	-
Disposals	-	-	955	5	14	-	975
Foreign currency translation differences	-	-1 679	-5 461	-699	-250	-	-8 089
As at 31 December 2018	**-**	**-18 244**	**-58 457**	**-9 453**	**-2 920**	**-**	**-89 074**
Net book value							
As at 31 December 2017	**1 705**	**49 874**	**86 800**	**7 555**	**1 134**	**13 885**	**160 952**
As at 31 December 2018	**1 908**	**71 630**	**100 014**	**14 851**	**1 254**	**9 896**	**199 555**

Property, plant and equipment comprised the following as at 31 December each year:

	2018	2017
Property, plant and equipment	199 555	160 952
Prepayments for property, plant and equipment	-	-
Total property, plant and equipment	**199 555**	160 952

As at 31 December 2018, a value of 60 314 regarding property, plant and equipment was pledged as a security for the bank loans (2017: SEK 38 501 - note 29).

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16. OTHER NON-CURRENT ASSETS

The Group	2018	2017
Spare parts	2 807	1 249
Longterm receivables	336	626
Prepaid lease expenses	11 406	-
Other non-current assets	286	458
	14 835	2 333

17. BIOLOGICAL ASSETS

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 2017		37 378	6 297	43 675
Increase due to purchases and subsequent expenditures		298 067	4 872	302 939
Decrease due to crops harvest	(i)	-331 704	-	-331 704
Decrease due to sales		-	-544	-544
Net gain / (loss) arising from changes in fair value of biological assets and agricultural produce (less cost to sell)	(ii)	23 958	-2 728	21 229
Livestock losses		-	-2	-2
Currency translation differences		-3 904	-927	-4 831
Carrying amount at 31 December 2017	(iii)	23 795	6 968	30 763
Increase due to purchases and subsequent expenditures		358 845	8 883	367 727
Decrease due to crops harvest	(i)	-521 225	-7 729	-528 954
Decrease due to sales		-	-409	-409
Net gain / (loss) arising from changes in fair value of biological assets and agricultural produce (less cost to sell)	(ii)	158 161	-6 644	151 518
Livestock losses		-	-1	-1
Currency translation differences		2 701	645	3 346
Carrying amount at 31 December 2018	(iii)	22 277	1 714	23 991

Biological assets is recognized at fair value from a cash flow model according to IFRS 13 at level 3. Key assumptions in the model include discount rate, projected sales price and yield per hectare.

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 2018 and 2017 was as follows:

The Group	2018		2017	
	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	187 547	243 093	134 124	144 981
Wheat	43 821	65 302	41 170	48 694
Sunflower	42 501	119 907	27 689	72 575
Soybean	31 726	87 855	21 931	60 638
Other	21 003	5 067	14 755	4 817
	326 598	521 225	239 669	331 704

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	2018		2017	
	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	5,7	1 490	4,48	1 122
Corn	10,6	1 296	5,62	1 068
Soybean	3,1	2 769	2,05	2 540
Sunflower	3,0	2 821	2,21	2 614

(iii) Biological assets as at 31 December comprised:

Livestock	The Group 2018		The Group 2017	
	Number, heads	Carrying value	Number, heads	Carrying value
Cattle	1 237	1 701	1 120	6 954
Horses	27	12	31	11
Others	-	1	-	3
	1 264	**1 714**	**1 151**	**6 968**

Livestock at 31 December 2018 comprises SEK 1 307 of non-current biological assets (2017: SEK 5 619).

Plants	The Group 2018		The Group 2017	
	Hectares	Carrying amount	Hectares	Carrying amount
Winter wheat	3 646	9 215	7 732	15 259
Corn	1 393	13 057	1 695	8 503
Winter rye	-	-	10	28
Others	10	5	-	4
	5 049	**22 277**	**9 437**	**23 795**

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18. INVENTORIES

The Group	2018	2017
Agricultural produce (at fair value less costs to sell or net realisable value) (i)	270 861	99 326
Work in progress (at cost) (ii)	33 584	23 718
Raw materials (at cost) (iii)	21 741	14 635
Fertilizer, herbicide and pesticide (at cost)	16 636	1 643
Other inventories (at cost)	2 266	1 020
	345 090	140 343

(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.

On 31 December 2018 the inventory provided security for bank loans to the amount of 167 586 (2017: 73 867)

19. TRADE AND OTHER RECEIVABLES, OTHER CURRENT ASSETS

Trade and other receivables	The Group 2018	The Group 2017
Trade receivables	65 239	5 617
Loans issued	-	117
Less: bad debt allowance	-	24
	65 239	**5 758**
Other current assets		
Deferred expenses	2 733	3 945
Advances paid	28 349	32 390
VAT recoverable	7 170	83
Other	124	3 033
	38 377	**39 452**

The Group	Provision for bad debts
As at 1 January 2017	27
Charge for the year	-
Used amounts	-
Foreign exchange translation difference	-3
As at 31 December 2017	**24**
Charge for the year	-26
Foreign exchange translation difference	2
As at 31 December 2018	**0**

For detailed information about aging see note 27.

20. CASH AND CASH EQUIVALENTS

	The Group 2018	The Group 2017
Cash:		
- on bank accounts	34 052	24 991
- on hand	45	22
	34 097	25 012

21. SHARE CAPITAL

The registered share capital amounts to SEK 11 556 (2017: SEK 11 556) and consists of 7 807 775 shares (2017: 7 807 775 shares). BZK Grain Alliance AB only has one class of shares carrying equal voting power.

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22. LOANS AND BORROWINGS

As at 31 December 2018 loans and borrowings are as follows:

Maturity			2019	2020 – 2021	
	Currency	Interest	Current portion	Non-current portion	Total
The Group					
Ukrainian bank	USD	8,5%	98 480	-	98 480
Ukrainian bank	UAH	17%-19%	128 328		128 328
Related party (Note 25)	SEK	4-7%	44 333	10 043	54 816
Convertible loans	SEK	3,5-7%	-	-	-
Convertible loans related party	SEK	3,5-7%	-	-	-
				10 483	281 624

As at 31 December 2017 loans and borrowings are as follows:

Maturity			2018	2019 – 2021	
	Currency	Interest	Current portion	Non-current portion	Total
The Group					
Ukrainian bank	UAH	17%-18%	76 953	-	76 953
Related party (Note 25)	SEK	4-7%	-	10 048	10 048
Convertible loans	SEK	3,5-7%	500	-	500
Convertible loans related party	SEK	3,5-7%	47 591	-	47 591
			125 044	10 048	135 092

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. On 1 April, no holder of convertible requested conversion to shares, therefore the amount of the convertible has been paid.

23 TRADE AND OTHER LIABILITIES, OTHER CURRENT LIABILITIES

The Group	2018	2017
Trade and other liabilities		
Trade liabilities	19 646	6 083
Trade liabilities related parties	-	230
Payroll and related taxes	3 344	2 652
Unused vacations accrual	2 887	4 421
Other	552	535
	26 429	**13 921**
Other current liabilities		
Value added tax	32	6 684
Advances received	139	351
Income tax payable	1 115	1 231
Other taxes	1 267	1 484
Other	1 371	957
	3 924	**10 707**

24. NUMBER OF EMPLOYEES AND EMPLOYEE BENEFITS

Number of employees	2018			2017		
	Women	Men	Total	Women	Men	Total
Sweden	-	-	-	-	-	-
Ukraine	252	961	1 213	256	964	1 220
	252	961	1 213	256	964	1 220

The management of the Group consists of 100% male.

EMPLOYEE BENEFITS

The Group	2018	2017
Board and senior executives	337	1 980
Other employees	42 744	33 509
Pension costs Board and senior executives	74	359
Pension costs other employees	7 474	5 783
Social security costs	1 698	1 301
	52 327	**42 933**

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

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25. RELATED PARTY DISCLOSURES

ULTIMATE CONTROLLING PARTY

As at 31 December 2018 the majority owner of the Parent Company is Agro Ukraina AB, which is a subsidiary of Claesson & Anderzén AB. A citizen of Sweden, Mr Johan Claesson, has the controlling interest in Claesson & Anderzén AB.

At December 31, the Group's outstanding balances with related parties as follows:

Entity under common control	2018	2017
Loans and borrowings	**-51 408**	**-58 374**
Of which:		
CA Investment AB	-37 013	-
CA Agroinvest AB	-12 571	-56 635
Ukrainian Investment AB	-1 824	-1 739
Trade accounts recivables	**-**	**786**
Of which:		
CA Agroinvest AB	-	786
Trade and other payables	**-2 657**	**-261**
Of which:		
Bioenergetychna Company	-	-3
CA Investment AB	-	-230
Radovenyuk EA	-162	-28
Bezsmertniy Viktor P.	-145	-
UkrEthanol	-2 350	-
Other current liabilities	**-**	**-704**
Of which:		
Bezsmertniy Viktor Petrovich	-	-147
Cheremha Bogdan Michaylovich	-	-147
Voloshin Anatoliy Fedorovich	-	-136
Kulinich Victor Volodymyrovich	-	-124
Khomiv Oleksandr Mitrofanovich	-	-147
Stasovsky Vasil Ivanovich	-	-3
Loans issued	**-**	**458**
Of which:		
Voloshin Anatoliy Fedorovich	-	8
Goliy Igor Volodymyrovich	-	15
Zaglada Evgen Volodymyrovich	-	306
Kotlyar Oleksiy Ivanovich	-	5
Opeha Yuriy Grigorovich	-	111
Zlotnikova Larisa Volodymyrivna	-	13

The transactions with the related parties during the years ended 31 December were as follows:

Entities under common control	2018	2017
Interest expenses	**-1 931**	**-3 539**
Of which:		
CA Investment AB	-431	-126
CA Agroinvest AB	-1 415	-3 328
Ukrainian Investment AB	-85	-85
Purchase of services	**-**	**-278**
Of which:		
Radovenyuk E.A	-	-
Radovenyuk A.F	-	-
UkrEthanol	-	-268
Bioenergetychna Company	-	-10
Purchase of property, plant and equipment	**-80**	**-709**
Of which:		
Bioenergetychna Company	-	-709
Radovenyuk Svitlana L.	-80	-
Purchase of inventories	**-**	**-439**
Of which:		
Bioenergetychna Company	-	-439
Sales of property, plant and equipment	**-**	**52**
Of which:		
Bioenergetychna Company	-	52
Sales of services rendered	**-**	**17**
Of which:		
Bioenergetychna Company	-	17

COMPENSATION TO KEY MANAGEMENT PERSONNEL

For the year ended 31 December 2018, remuneration paid by the Group to key management personnel was SEK 337 (2017: SEK 1 815). Compensation included contractual salaries and related taxes.

Key management personnel consists of six individuals as at 31 December 2018 (2017: six).

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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.

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 2018 was 61 633 (2017: 50 285).

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

	2018	2017
Up to 12 months	41 284	47 096
1-5 years	139 667	144 958
Over 5 years	136 272	67 624
	317 223	**259 679**

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 2018 and 2017. 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 2018 and 2017.

INTEREST RATE RISK

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
2018		
Change in interest rate (LIBOR)	50	-990
Change in interest rate (LIBOR)	-15	297
2017		
Change in interest rate (LIBOR)	0	0
Change in interest rate (LIBOR)	0	0

As at 31 December 2017, there were no outstanding balances with variable interest, therefore no change in interest is reported above.

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
2018		
Change in USD exchange rate	8,00%	-6 149
Change in USD exchange rate	-8,00%	6 149
2017		
Change in USD exchange rate	10,00%	1 769
Change in USD exchange rate	-14,00%	-2 476

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:

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The Group	Payable on demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
31 December 2018					
Loans and borrowings, principal amount	224 640	-	40 295	6 217	271 782
Convertible loan	-	-	-	-	-
Interest payable	-	5 576	-	4 266	9 842
Future interests expenses	-	-	-	-	-
Trade and other liabilities (Note 23)	-	6 262	24 092	-	30 354
	224 640	**11 838**	**65 017**	**10 483**	**311 978**
31 December 2017					
Loans and borrowings, principal amount	73 514	-	-	6 217	79 731
Convertible loans	-	-	45 006	-	45 006
Interest payable	3 142	4	3 380	3 831	10 357
Future interest payable	-	3 210	9 663	16 310	29 182
Trade and other liabilities (Note 23)	13 199	716	7	-	13 921
	89 854	**3 929**	**58 056**	**26 358**	**178 197**

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	<1 month	1-2 months	2-3 months	3-6 months	6-12 months	More than 12 months	Total
31 December 2018								
Trade and other receivables	59 236	2 365	-	2 546	202	255	634	65 239
	59 236	2 365	-	2 546	202	255	634	65 239
31 December 2017								
Trade and other receivables	2 916	-	-	1 192	341	500	810	5 759
	2 916	-	-	1 192	341	500	810	5 759

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 Group	2018	2017
Loans and borrowings	281 624	135 093
Trade and other liabilities	30 353	24 629
Less cash and cash equivalents	-34 097	-25 012
Net debt	**277 880**	**134 710**
Equity	581 310	451 167
Total equity and net debt	859 190	585 877
Gearing ratio	**32%**	**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%.

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.

TAX RISK

Companies in Ukraine is exposed to tax risks in various contexts, especially with regard to VAT, as there may be ambiguities in the tax rules. However, the risk for Grain Alliance is limited.

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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	
	2018	**2017**	**2018**	**2017**
Financial assets valued at amortized cost				
Cash and cash equivalents	34 097	25 012	34 097	25 012
Trade and other receivables	65 239	5 759	65 239	5 759
Financial liabilities valued at amortized cost				
Trade and other liabilities	30 353	24 629	30 353	24 629
Loans and borrowings	281 624	135 092	281 624	135 092

29. PLEDGED ASSETS

The Group	2018	2017
Property, plant and equipment	60 314	38 501
Inventories	167 586	73 867
Escrow account	9 884	9 070
	237 784	**121 438**

30. EVENTS AFTER THE REPORTING DATE

During the first quarter of 2019, 77 200 tons of corn, 6 000 tons of wheat and 7 500 tons of soy, which were kept as security against possible further devaluation of local currency before seeding 2019, were sold by 4600 UAH/t, 6160 UAH/t and 9570 UAH/t.

PARENT COMPANY'S STATEMENT OF COMPREHENSIVE INCOME

The Parent Company	Notes	2018	2017
Revenue from sales	2	146 067	94 070
Cost of sales		-139 927	-85 317
Gross profit		**6 140**	**8 753**
General and administrative expenses	3	-1 081	-2 263
Operating profit / (loss)		**5 059**	**6 490**
Finance costs	4	-2 045	-3 825
Finance income	5	5 409	2 740
Foreign exchange gain	6	5 804	-6 942
Profit / (loss) before tax		**14 227**	**-1 537**
Income tax expense	18	-	-
Profit / (loss) for the year		**14 227**	**-1 537**
Other comprehensive income		-	-
Total comprehensive income for the year		**14 227**	**-1 537**

46 Notes to the consolidated financial statement (in thousands of SEK)
Parent Company's statement of comprehensive income (in thousands of SEK) 47

PARENT COMPANY'S STATEMENT OF FINANCIAL POSITION

The Parent Company	Notes	2018	2017
Non-current assets			
Shares in subsidiaries	7	256 426	256 426
		256 426	256 426
Current assets			
Receivable subsidiary	8	31 514	27 942
Receivable Group	8	-	786
Receivables	8	3 073	-
Other current assets	8	79	121
Cash and cash equivalents	9	28 774	20 815
		63 440	**49 664**
Total assets		**319 866**	**306 090**
Equity			
Issued capital	10	11 556	11 556
Other contributed capital		278 295	278 295
Retained earnings		-32 083	-46 310
		257 768	**243 541**
Non-current liabilities			
Loans and borrowings	11	-	-
Loans and borrowings relative parties	11	10 483	10 048
		10 483	**10 048**
Current liabilities			
Loans and borrowings	11	-	500
Loans and borrowings relative parties	11	40 925	48 326
Trade and other liabilities relative parties	12	10 197	3 186
Trade and other liabilities	12	492	489
Other current liabilities	12	-	-
		51 614	**52 501**
Total liabilities		**62 097**	**62 549**
Total equity and liabilities		**319 865**	**306 090**

PARENT COMPANY'S STATEMENT OF CHANGES IN EQUITY

The Parent Company	Issued capital (restricted equity)	Other contributed capital (non-restricted equity)	Retained earnings (non-restricted equity)	Total equity
Balance at 31 December 2016	**11 556**	**278 295**	**-44 772**	**245 079**
Profit for the year	-	-	-1 537	-1 537
Total comprehensive income	**-**	**-**	**-1 537**	**-1 537**
Transactions with owners				
Issue of capital	-	-	-	-
Balance at 31 December 2017	**11 556**	**278 295**	**-46 310**	**243 541**
Profit for the year	-	-	14 227	14 227
Total comprehensive income	**-**	**-**	**14 227**	**14 227**
Transactions with owners				
Issue of capital	-	-	-	-
Balance at 31 December 2018	**11 556**	**278 295**	**-32 083**	**257 768**

48 Parent Company's statement of financial position (in thousands of SEK)
Parent Company's statement of changes in equity (in thousands of SEK) 49

PARENT COMPANY'S STATEMENT OF CASH FLOWS

The Parent Company	2018	2017
Operating activities		
Profit / (loss) before tax	14 227	-1 537
Non cash adjustments:		
Finance income	-5 409	-2 740
Finance costs	2 045	3 825
Working capital adjustments:		
Change in trade receivables and other current assets	-5 817	13 128
Increase in trade and other payables and other current liabilities	7 015	2 854
	12 061	**15 529**
Interest received	5 409	2 740
Income tax paid	-	
Net cash flows from operating activities	**17 470**	**18 269**
Investing activities		
Purchase of financial assets	-	-
Net cash flows used in investing activities	-	-
Financing activity		
Proceeds from loans and borrowings	-	-
Repayment of borrowings	-7 466	-4 642
Interest paid	-2 045	-3 825
Net cash flows from financing activities	**-9 511**	**-8 467**
Net change in cash and cash equivalents	7 959	9 801
Foreign exchange difference cash	-	-
Cash and cash equivalents at 1 January	20 815	11 014
Cash and cash equivalents at 31 December	**28 774**	**20 815**

1. 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 for the investment in prior years. Such reversal is recognised in the statement of comprehensive income

2. REVENUE FROM SALES

The Parent Company	2018	2017
Sales of agricultural produce	146 067	93 218
Sales of services rendered	-	852
	146 067	**94 070**

Revenues from two major customers, each individually exceeding 10% of total revenue, amounted to SEK 129 032 SEK (201: six customers – SEK 83 656).

The Parent Company	2018	
Bunge SA	97 148	67%
Glencore Agriculture BV	31 884	22%
Others	17 035	11%
	146 067	**100%**

50 Parent Company's statement of cash flows (in thousands of SEK)
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3. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The Parent Company	2018	2017
General and administrative expenses		
Payroll and related taxes	-	-
Professional services (i)	1 081	2 263
	1 081	**2 263**

Audit fees for the parent company and the Group in year 2018 and 2017 relates to fees payable to Ernst & Young. Audit fees included in the general and administrative costs are as follows:

The Parent Company	2018	2017
Audit assignment fees	871	640
	871	**640**

Audit assignments include review of the annual report and the accounting, as well as the administration of the board and the managing director, other tasks that is assigned to the company's auditor, as well as advice or other assistance that is caused by observations during such examination or the implementation of such other tasks.

4. FINANCE COSTS

The Parent Company	2018	2017
Interest on loans and borrowings to related parties	1 931	3 539
Interest others	102	282
Bank fees	11	4
	2 044	**3 825**

5. FINANCE INCOME

The Parent Company	2018	2017
Interest Income related parties	1 498	1 778
Other	3 911	961
	5 409	**2 740**

6. FOREIGN EXCHANGE GAIN/LOSS

Concern	2018	2017
Foreign exchange difference on loans within the group	3 408	-1 899
Foreign exchange difference cash	2 395	-5 043
	5 804	**-6 942**

7. SHARES IN SUBSIDIARIES

The Parent Company	
As at 1 January 2017	256 426
Investments in subsidiaries	-
Liquidation subsidiaries	-
As at 31 December 2017 (i)	**256 426**
Investments in subsidiaries	-
Liquidation subsidiaries	-
As at 31 December 2018 (i)	**256 426**

(i)	2017	2016
Barishevska Grain Company LLC	256 367	256 367
Khmelnitska Grain Company	59	59
	256 426	**256 426**

			2017		2017	
Company	**Location**	**Corporate id**	**Ownership SEK**	**Ownership %**	**Ownership SEK**	**Ownership %**
Barishevskya Grain Company LLC	Baryshevka, Ukraina	2886518	256 367	100%	256 367	100%
Khmelnitska Grain Company LLC	Yarmolenci, Ukraina	39843554	59	100%	59	100%
			256 426		**256 426**	

8. TRADE AND OTHER RECEIVABLES, OTHER CURRENT ASSETS

The Parent Company	2018	2017
Trade and other receivables		
Trade receivables due from related party (Note 14)	31 514	28 317
Trade Receivables	3 073	411
	34 587	**28 728**
Other current assets		
Advances paid	67	109
VAT recoverable	12	12
	79	**121**

For detailed information about aging see note 15.

52 Notes to the Parent Company's financial statement (in thousands of SEK)
Notes to the Parent Company's financial statement (in thousands of SEK) 53

9. CASH AND CASH EQUIVALENTS

The Parent Company	2018	2017
Cash:		
- on bank accounts	18 890	11 745
- escrow account	9 884	9 070
	28 774	**20 815**

10. SHARE CAPITAL

The registered share capital amounts to SEK 11 556 (2017: SEK 11 556) and consists of 7 807 775 shares (2017: 7 807 775 shares). BZK Grain Alliance AB only has one class of shares carrying equal voting power.

11. LOANS AND BORROWINGS

As at 31 December 2018 loans and borrowings are as follows: and borrowings are as follows:

The Parent Company	Currency	Interest	Maturity 2019 Current portion	Maturity 2020 – 2022 Non-current portion	Total
Related party (Note 14)	SEK	1,5-7%	40 925	10 483	51 408
Convertible loans	SEK	3,5-7%	-	-	-
Convertible loans related party	SEK	3,5-7%	-	-	-
			40 925	**10 483**	**51 408**

As at 31 December 2017 loans and borrowings are as follows:and borrowings are as follows:

The Parent Company	Currency	Interest	Maturity 2018 Current portion	Maturity 2019 – 2021 Non-current portion	Total
Related party (Note 14)	SEK	4-7%	-	10 048	10 048
Convertible loans	SEK	3,5-7%	500	-	500
Convertible loans related party	SEK	3,5-7%	48 326	-	48 326
			48 826	**10 048**	**58 874**

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. As of 1 April 2018 no conversion took place and the principle amount was paid to the holders.

12. TRADE AND OTHER LIABILITIES, OTHER CURRENT LIABILITIES

The Parent Company	2018	2017
Trade and other liabilities		
Trade liabilities related parties	10 197	3 186
Trade liabilities	12	9
Payroll and related taxes	-	-
Other	480	480
	10 689	**3 675**
Other current liabilities		
Other	-	-

13. NUMBER OF EMPLOYEES AND EMPLOYEE BENEFITS

Number of employees	2018 Women	2018 Men	2018 Total	2017 Women	2017 Men	2017 Total
Sweden	-	-	-	-	-	-
Ukraine	-	-	-	-	-	-

The Parent Company	2018	2017
Employee benefits		
Board and senior executives	-	-
Pension costs	-	-
Social security costs	-	-

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

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14. RELATED PARTY DISCLOSURES

ULTIMATE CONTROLLING PARTY

As at 31 December 2018 the majority owner of the Parent Company is Agro Ukraina AB, which is a subsidiary of Claesson & Anderzén AB. A citizen of Sweden, Mr Johan Claesson, has the controlling interest in Claesson & Anderzén AB.

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

	2018	2017
Entity under common control		
Loans and borrowings (Note 11)	-51 408	-58 374
Of which:		
CA Investment AB	-37 013	-
CA Agroinvest AB	-12 571	-56 635
Ukrainian Investment AB	-1 824	-1 739
Subsidiary		
Trade and other receivables	**31 514**	**27 942**
– Baryshevski Grain Company LLC	31 514	27 942
Trade and other receivables	**-**	**786**
CA Agroinvest AB	-	786
Trade and other payables	**-10 197**	**-3 186**
CA Investment AB	-	-230
Baryshevski Grain Company LLC	-10 197	-2 956

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

	2018	2017
Purchase of services	-	-268
Of which:		
UkrEthanol	-	-268
Interest expenses	-1 931	-3 539
Of which:		
CA Investment AB	-431	-126
CA Agroinvest AB	-1 415	-3 328
Ukrainian Investment AB	-85	-85

COMPENSATION TO KEY MANAGEMENT PERSONNEL

For the year ended 31 December 2018, remuneration paid to key management personnel is SEK 0 (2017: 0). Compensation comprised the contractual salary and related taxes.

There are no key management personnel as of 31 December 2018 (2017: zero).

15. 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 2018 and 2017. 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 2018 and 2017.

INTEREST RATE RISK

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
2018		
Change in interest rate (LIBOR)	50	-236
Change in interest rate (LIBOR)	-15	71
2017		
Change in interest rate (LIBOR)	60	-37
Change in interest rate (LIBOR)	-8	5

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.

56 Notes to the Parent Company's financial statement (in thousands of SEK)
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	Change in foreign currency rate %	Effect on profit before tax The Parent Company
2018		
Change in USD exchange rate	8	3 979
Change in USD exchange rate	-8	-3 979
Change in EUR exchange rate	10	710
Change in EUR exchange rate	-10	-710
2017		
Change in USD exchange rate	15	6 523
Change in USD exchange rate	-35	-15 220
Change in EUR exchange rate	-	-
Change in EUR exchange rate	-	-

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:

The Parent Company	Payable on demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
31 December 2018					
Loans and borrowings, principal amount	-	-	40 925	6 217	47 142
Interest payable	-	-		4 266	4 266
Trade and other liabilities (Note 12)	-	10 689			10 689
		10 689	40 925	10 483	62 097
31 December 2017					
Loans and borrowings, principal amount	-	-	45 447	6 217	51 664
Interest payable	-	-	3 380	3 831	7 211
Trade and other liabilities (Note 12)	-	3 675			3 675
		3 675	48 827	10 048	62 550

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

The Parent Company	Neither past due, nor impaired	Past due, but not impaired <1	1-2 months	2-3 months	3-4 months	4-12 months	More than 12 months	Total
31 December 2018								
Receivable subsidiary	425	-	-	425	-	849	29 815	31 513
Trade and other receivables	3 006	-	-	425	-	-	66	3 072
				425		**849**	**29 881**	**34 585**
31 December 2017								
Receivable subsidiary	-	-	-	8 697	-	6 997	11 836	27 531
Trade and other receivables	-	-	-	411	-	-	786	1 197
	-	**-**	**-**	**9 108**	**-**	**6 997**	**12 066**	**28 728**

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	2018	2017
Loans and borrowings	51 408	58 874
Trade and other liabilities	10 689	3 675
Less cash and cash equivalents	-28 774	-20 815
Net debt	33 323	41 734
Equity	257 768	243 541
Total equity and net debt	291 091	285 275
Gearing ratio	**11%**	**15%**

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%.

58 Notes to the Parent Company's financial statement (in thousands of SEK)
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16. 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	
	2018	**2017**	**2018**	**2017**
Financial assets valued at amortized cost				
Cash and short-term deposits	28 774	20 815	28 774	20 815
Trade and other receivables	34 666	28 849	34 666	28 849
Financial assets valued at amortized cost				
Trade and other payables	10 689	3 675	10 689	3 675
Loans and borrowings	51 408	58 874	51 408	58 874

17. PLEDGED ASSETS AND SURETY

The Parent Company	2018	2017
Pledged assets		
Escrow account	9 884	9 070
	9 884	**9 070**
Surety		
Surety for subsidairies (for debt to JSC UkrSibbank)	112 138	82 322
Surety for subsidairies (for debt to Credit Agricole Bank)	77 151	58 780
	189 288	**141 102**

18. INCOME TAX

THE PARENT COMPANY

As at 31 December 2018, the tax loss carried forward 25 311 (2017: SEK 39 538). The Company has not recognized deferred tax assets as deficit.

19. EVENTS AFTER THE REPORTING DATE

No essential event for the parent company has occurred after the reporting period.

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

GRAIN
ALLIANCE

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BZK GRAIN ALLIANCE AB

Corporate identity number: 556754-1056

ANNUAL REPORT AND CONSOLIDATED ACCOUNTS

FOR THE FINANCIAL YEAR

1 OF JANUARY 2020 - 31 OF DECEMBER 2020

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REPORT ON OPERATIONS

ABOUT GRAIN ALLIANCE

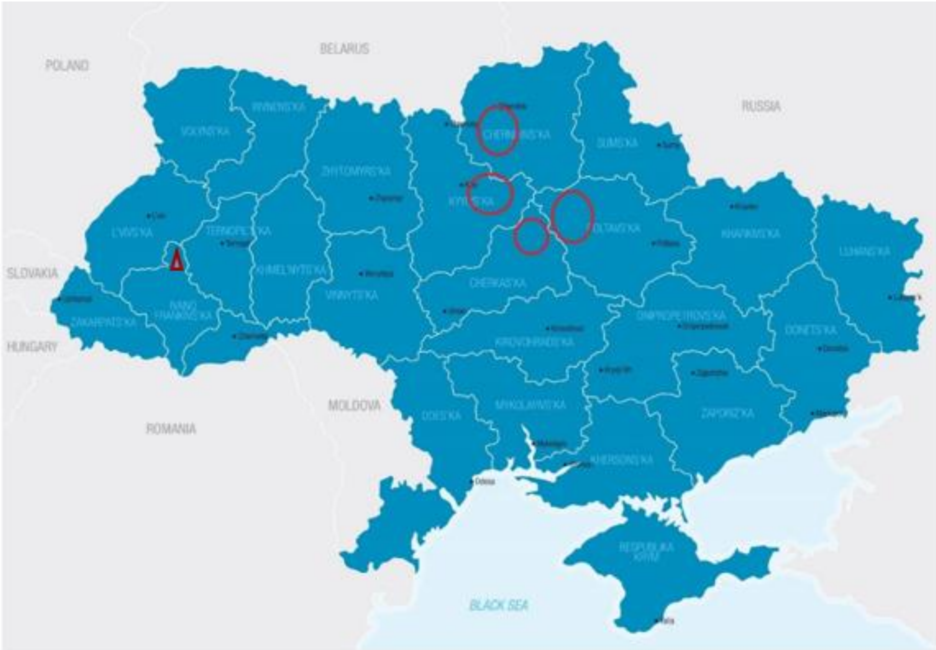
Grain Alliance is one of the leading agricultural companies in Ukraine. The company cultivates around 57,000 hectares of arable land in central Ukraine. The foundation for BZK Grain Alliance AB was laid in 1998. At that time, the company was primarily a supplier of agricultural services, but during the 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 established a new company structure - Grain Alliance. Under this new corporate structure, the land bank has gradually increased and the company has become more profitable, sustainable and straightforward.

In conjunction with the Swedish investments into the company a profound reorganization and restructuring was initiated. The company's operations were enhanced and new modern corporate governance principles were introduced. Moreover, 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, Cherkasy and Chernihiv districts. The agricultural operations are divided into three regions (clusters), where each region cultivates between 17,000 and 23,000 hectares. Each of the regions is fully equipped with modern agricultural equipment and the short distances between the regions enable the efficient utilization of machinery. In order to allow efficient handling and storage of the produced grain, the company has five drying facilities, four of which have a direct rail connection.

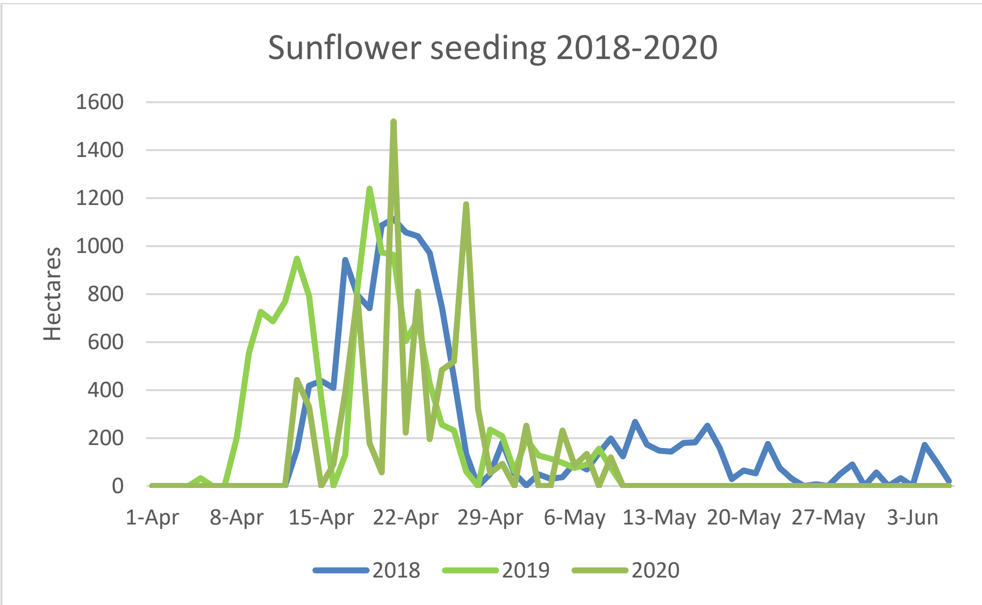
Efficiency and control are led in Grain Alliance's strategy and therefore the company tends land within a limited geographical area. The radius of Grain Alliance's core area (the area farmed) is about 80 kilometers. During the past years, the company has gradually expanded and developed 16,000 ha in the Chernihiv region, north of Kyiv. Cultivating land in a limited geographical area allows a more efficient use of resources as transport for both equipment and crops is shorter. The simple fact that the lands are within an hour's drive from the main office also strengthens the control. Farming is a human intensive activity that requires hands-on monitoring and control. Grain Alliance operations are further supported by the five central grain handling facilities the company has either built from scratch or renovated. Having access to own in-house storage and drying not only increases the speed of the harvest but also mitigates logistic risks and gives the Company the opportunity to sell the crops when needed, not being forced to sell during the harvest when the prices are under pressure due to logistics limitation. Due to land bank expansion in Chernihiv, and expansion of corn crop in other regions Grain Alliance initiated further development of the drying and storage facility there in Nizhyn and drying facility in Pyriatyn. This program due to alternative fuel and energy efficiency measures implementation got support from EBRD in a way of 10 million Euro loan.

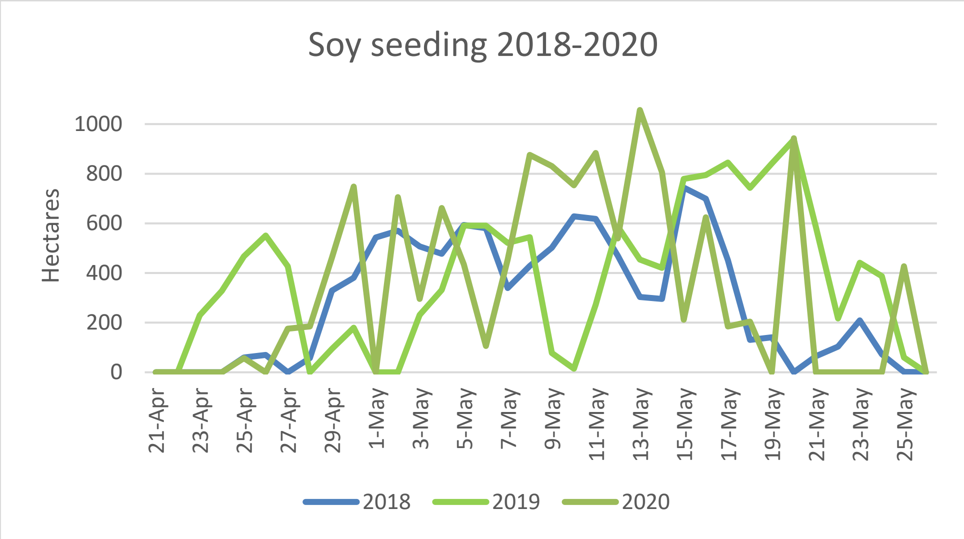


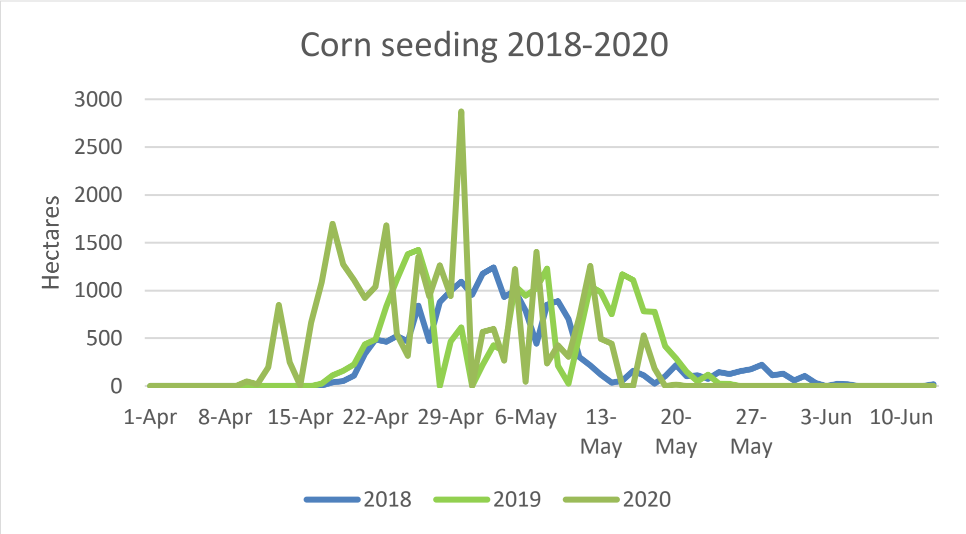
SEEDING 2020

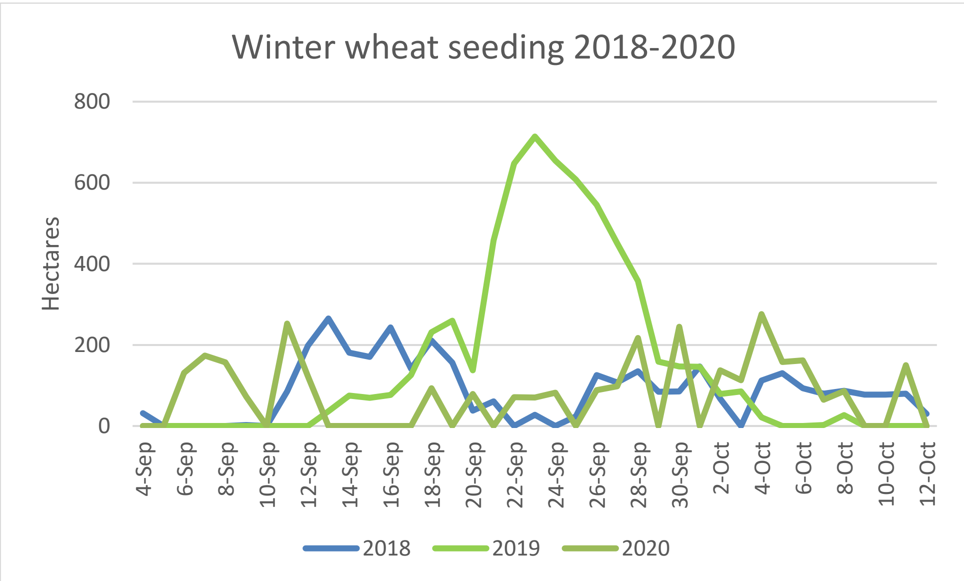
In 2020, Grain Alliance has continued changes in the organizational structure. 4 production clusters were transformed into 3 clusters.

2020 seeding campaign was well prepared to provide excellent operation results. The biggest challenge for the company was 30 000 hectares of Corn seeding. Almost 14 000 hectares of Corn were seeded in South cluster alone. During 2020, the company continued further improvement of the machinery fleet. The company has purchased five brand-new John Deere tractors 8345 together with the new precision seeders Väderstad Tempo L18 financed in the frames of the EBRD Capex Project.

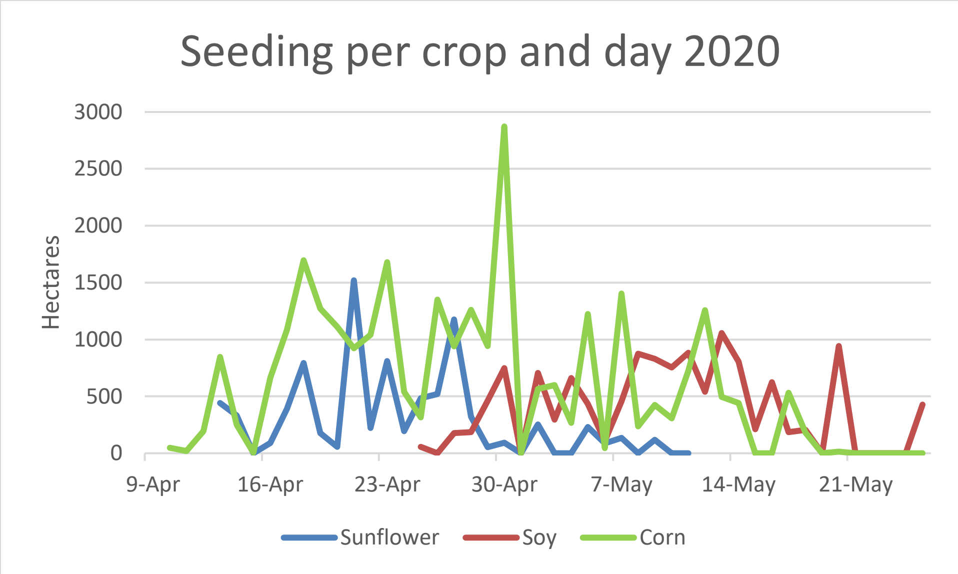



Soy seeding 2018-2020
Hectares
1000
800
600
400
200
0
21-Apr
23-Apr
25-Apr
27-Apr
29-Apr
1-May
3-May
5-May
7-May
9-May
11-May
13-May
15-May
17-May
19-May
21-May
23-May
25-May
2018
2019
2020


Corn seeding 2018-2020
Hectares
3000
2500
2000
1500
1000
500
0
1-Apr
8-Apr
15-Apr
22-Apr
29-Apr
6-May
13-May
20-May
27-May
3-Jun
10-Jun
2018
2019
2020


Winter wheat seeding 2018-2020
Hectares
800
600
400
200
0
4-Sep
6-Sep
8-Sep
10-Sep
12-Sep
14-Sep
16-Sep
18-Sep
20-Sep
22-Sep
24-Sep
26-Sep
28-Sep
30-Sep
2-Oct
4-Oct
6-Oct
8-Oct
10-Oct
12-Oct
2018
2019
2020

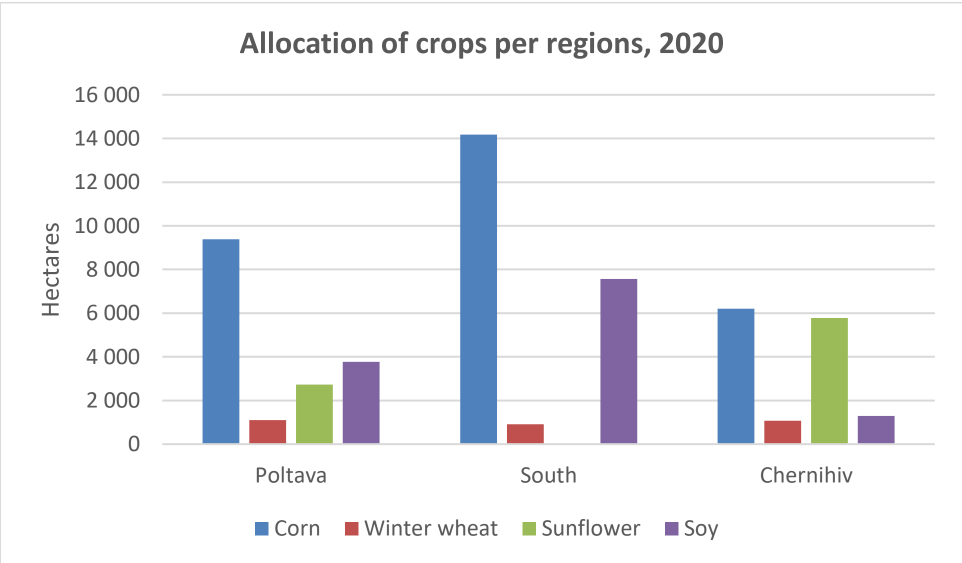
Crop production is one of the few industries that has not experienced the negative impact of quarantine restrictions. Yields mainly depended on weather conditions, which in 2020 are characterized as unstable and difficult (warm and snowless winter, extremely low soil moisture, frost in spring and drought during August in all the regions) and had a negative impact on vegetation and maturation of the main agricultural crops. It was the reason of corn and soy yields tumbling. 2020 showed a good and stable yield for sunflower.



ALLOCATION OF CROPS

Four main crops of GA: Corn, Soybeans, Sunflower and Winter Wheat were cultivated on 54 000 ha in 2020.

The biggest part in crop rotation takes Corn – 29 800 ha or 54% of GA's arable land. Corn cultivation area was increased for 7 700 ha (35%) to 2019. South cluster brings 48% of Corn cultivation land. We plan to seed one crop in one department since the next season.

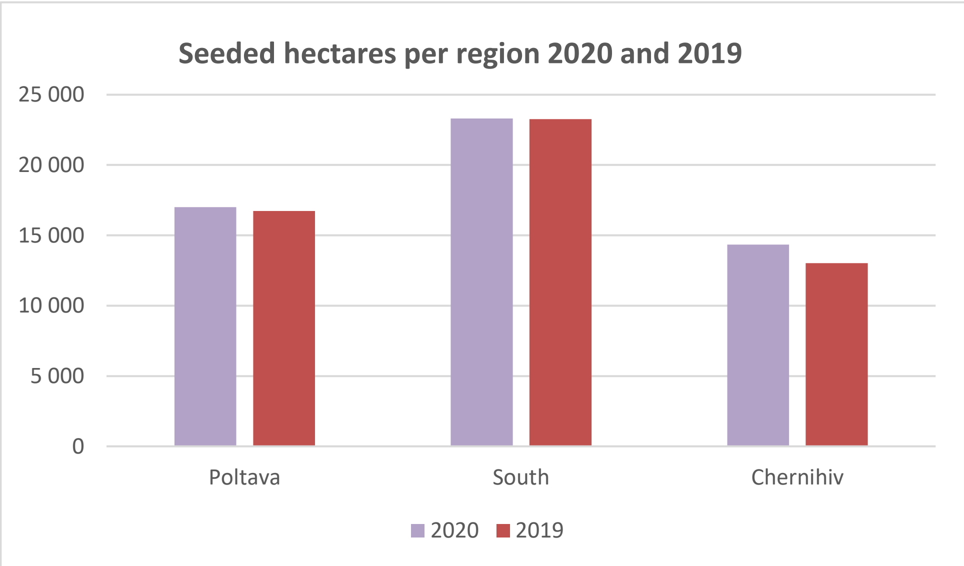


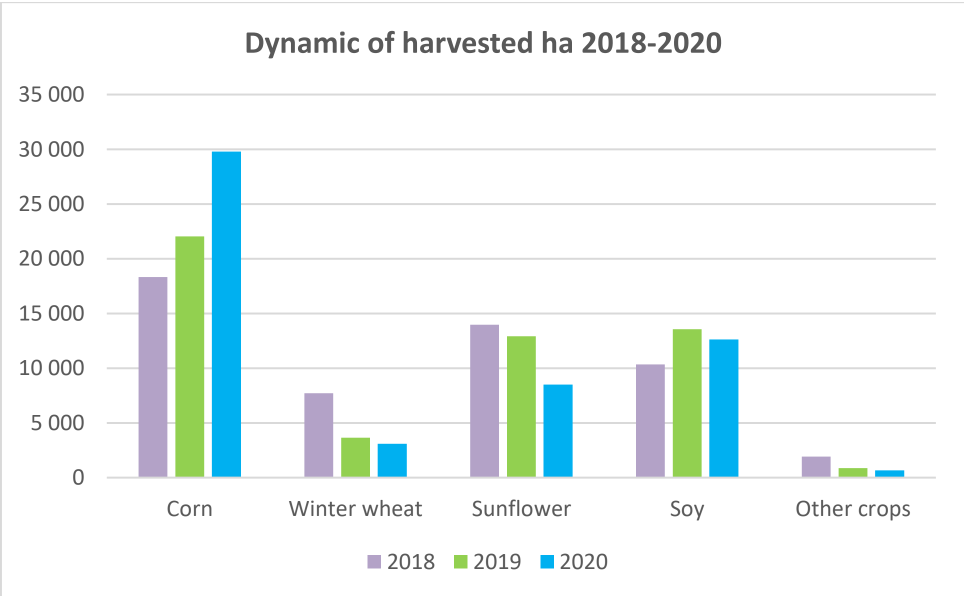
Soy area was cultivated on 12.6 ths ha in 2020. It is 7% or 1.0 ths ha less than previous year. The Company improves its scientific approach in growing of soy.

Sunflower was cultivated on 8.5 ths ha in 2020. It is 34% or 4.4 ths ha less than previous year. Sunflower is concentrated in Poltava and Chernihiv clusters. Considering the gradual increase of sales prices and yield level for all crops, their profitability becomes equal.

Winter wheat usually is the least profitable crop for Grain Alliance. It is the main reason of 15% decline in sowing areas. The main reason for that is preferable position of Corn and Soy for cultivation in GA.

GA cares small areas for forage corn and alfalfa for its two cattle farms in the South region.





Harvest 2020

Wheat harvesting was started in the middle of July and main crops harvesting – in the late August. Winter Wheat harvesting lasted for 10 days.

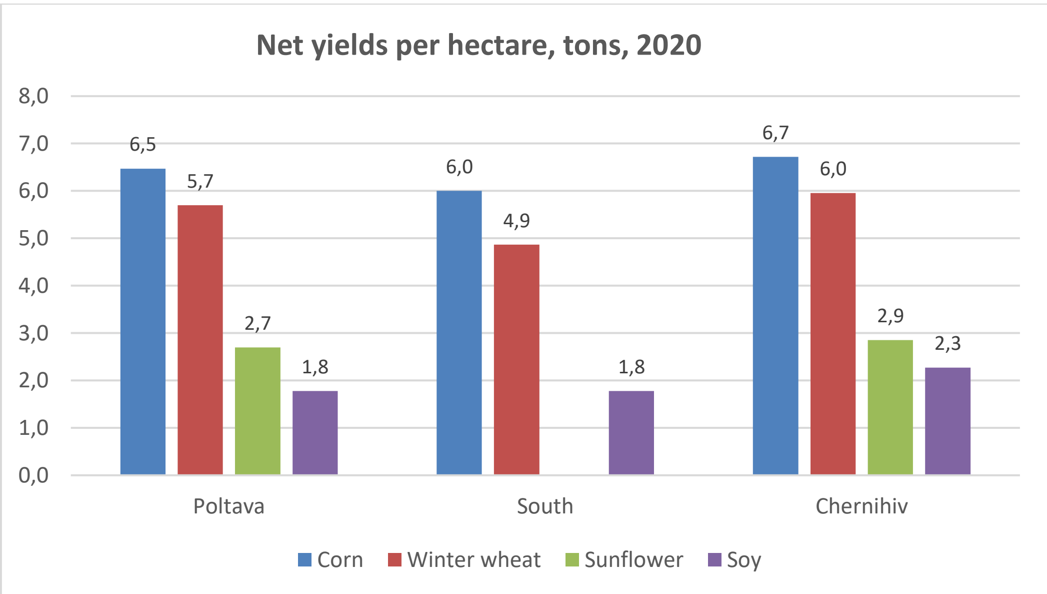
GA finished harvesting on the 25th of November 2020.

Harvesting period 2020 by months and weeks

Crops	July				August				September				October					November			
	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48
Corn										80 days											
Soy									40 days												
Sunflower											40 days										
Wheat			10 days																		

Harvesting campaign was very successful for the Grain Alliance as it was finished promptly. The team has done its best and finished harvesting at the end of November 2020.

Soy and sunflower harvesting lasted for 40 days.



Crop Prices and Sales 2020

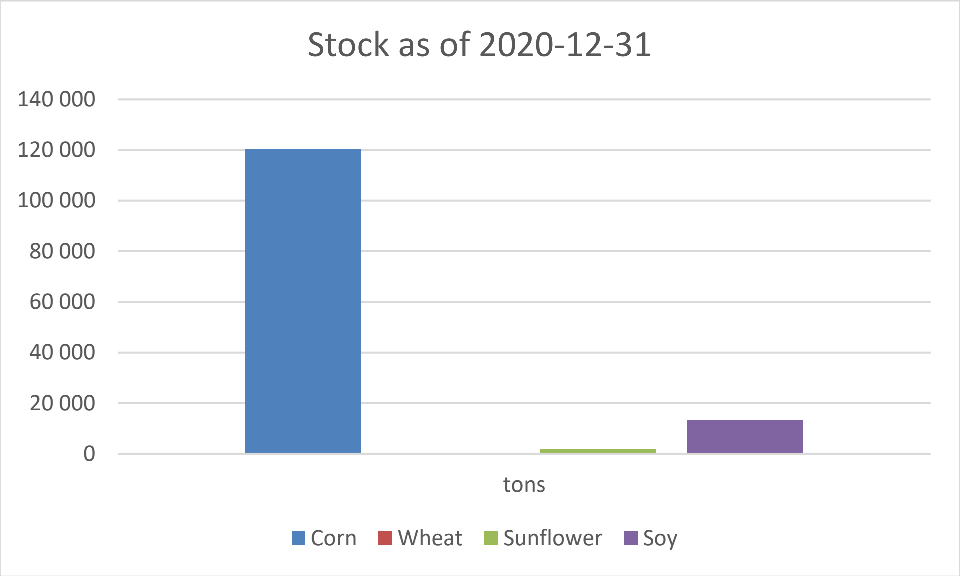
In order to maintain liquidity at the proper level, the Group actively enters into contracts for the supply of grain throughout the year, including the pre-sowing season. Forward contracts are usually made to hedge against unforeseen events, including waring of prices and bad weather.

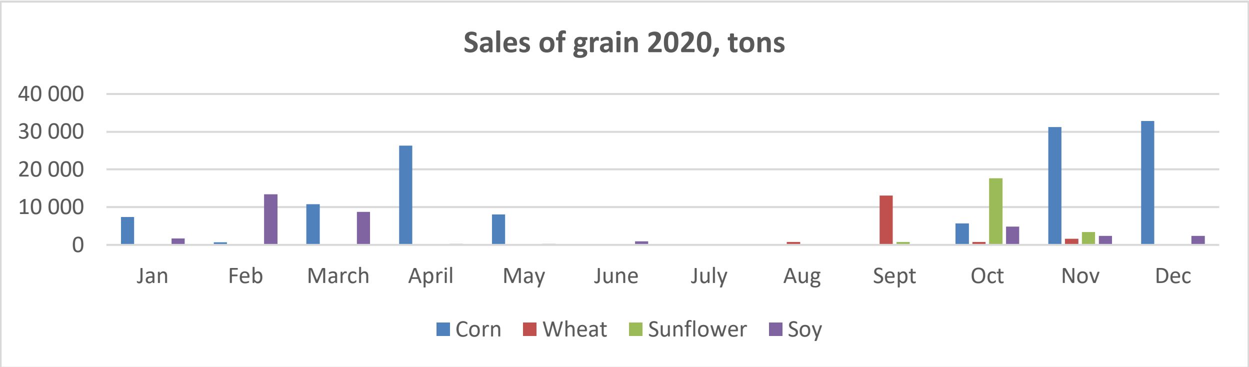
According to the Ministry of Economic Development, Trade and Agriculture, Ukraine ranked second in the ranking of world grain exporters in terms of total exports in the past 2019/2020 agricultural year, including the second in barley supplies, fourth in corn supplies, and fifth for wheat. According to the estimates of the U.S. Department of Agriculture (USDA), which data were used to compile the rating, in the previous agri-year Ukraine exported 21.0

million tons of wheat with a harvest of 29.2 million tons, 28.9 million tons of corn with a harvest of 35.9 million tons, and in general, grain exports amounted to 55.1 million tons with a harvest of 75.7 million tons.

Ukrainian grain exports forecast for 2020/2021 agricultural year has been worsened to fall to 37.9 million including 14.8 million tons of wheat, 18.4 million tons of corn and 4.1 million tons of barley.

Grain Alliance continues sales in USD, CPT sea port or DAF Ukrainian border compared to 5 years average and managed to ensure timely deliveries. New destinations for 2020 – sales of corn to China.





As of December 31, 2020, the Company had approximately 136 thousand tons of grain in a stock.

DIRECTORS' REPORT

RESULT/SALES

Production of 2020 was evenly sold and shipped to buyers during the marketing year. There has been a sharp increase in grain prices since the middle of the year. Grain yields were on its low level worldwide, resulting in the continuous increase in sales prices. A strong demand from China and wheat quotation from Russia had also supporting the upward price trend. Grain Alliance managed to have sales higher than budget prices.

CURRENCY

During the year ended 31 December 2020, the Ukrainian Hryvnia depreciated against the EUR and US dollar by 30% and 20% respectively; Swedish Krona– 26%

The Company's operational currency is the Ukrainian hryvnia.

The financial sector has successfully gone through the coronavirus crisis and properly performed its functions. The Ukrainian banks have entered the pandemic with enough capital and high liquidity. Still the banking sector remains highly profitable due to stable operating income.

The National Bank of Ukraine has encouraged banks to restructure loans to the borrowers who face temporary financial difficulties during the crisis.

Grain Alliance has properly executed all obligations with the commercial and international banks.

Since 2019, the National bank of Ukraine has cut its key policy rate from 15.5% to 6.0% in December 2020. The interest rates on loans in commercial banks have been correspondingly declined to the lowest level in the Ukrainian banking sector's history.

INVESTMENTS DURING 2020

According to the updated production policy, Grain Alliance still considers soy and corn as the most profitable crops. Grain Alliance continues to pay much attention to improve quality of seeding, protection and timing. During 2020, Grain Alliance has invested into purchase of corn planters Väderstad Tempo L18, updated its tractors fleet with the brand-new John Deere tractors. To meet the time frames of harvesting campaign, Grain Alliance has installed the grain dryer with a heat biomass generator on the elevator in Pyriatyn (Poltava district). The investment has brought benefits to the regional clusters and to the local communities through the 3rd party services.

Grain Alliance continues cooperation with the EBRD in the frames of the 7-years' capex loan agreement and Grant agreement with Taiwan ICDF.

Due to increase of uncertainty in the business environment, triggered by the coronavirus pandemic, the Company has taken a decision to postpone with the further investments until the year-end. To secure its financial position, the Company has become eligible to participate in the EBRD's Solidarity Package emergency program, a Resilience Framework providing finance to meet the short-term liquidity and working capital needs.

At the turn of 2021, Grain Alliance has decided to revert to the initial program. Due to the rapidly increasing land bank of the Chernihiv cluster in combination with the production policy, the company has pursued investments into further development of the drying and storage capacities of the Nizhyn elevator (Chernihiv district). To mitigate possible risks related to the logistics to the sea ports, the company has strengthened the supply chain of its production by investing into purchase of the railway cars.

STORAGE AND DRYING CAPACITY 2020-12-31

Elevators	Baryshivka	Berezan	Yahotyn	Pyriatyn	Nizhyn	Yarmolyntsi
Max storage capacity	18 000 t.	44 000 t.	55 000 t.	105 000 t.	24 000 t.	16 000 t.
Type of storage	Flat bed	Flat bed + steel silos	Flat bed + steel silos	Steel silos	Steel silos	Flat bed + steel silos
Drying capacity	650 t/day	1000 t/day	1000 t/day	2500 t/day	800 t/day	600 t/day
Railroad	On site	On site	8 km	On site	On site	5,5 km
Shipment capacity	800 t/day	1000 t/day	1750 t/day	2000 t/day	1750 t/day	800 t/day

EMPLOYEES

The average number of employees in 2020 was 1085, divided between 223 women and 862 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 harvest. The Company continues implementation of its regular plan of staff optimization in the frames of operational efficiency increase program.

OWNERSHIP

In total, there are 7,807,775 shares in the company. The principal owner Agro Ukraina AB, owns 7, 801 155 (99.92%) of the shares. Behind it stands the CA group.

ENVIRONMENTAL ASPECTS AND SUSTAINABILITY

Sustainability and caring for the environment are central questions 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 annual soil analysis on the cultivated fields. Our laboratory was further strengthened with additional tools in 2020 allowing for analysis of plants development in fields and diagnostics of diseases. 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, and the old outdated equipment has been replaced in favour of modern equipment. We also introduce new methods of balanced plants' feeding with micro- and macro- fertilizers during vegetation period to avoid soil exhaustion. The Company's long-term goal is to increase the share of renewable fuels in our production as well as in heating of villages and towns around us. The investment in the thermal generators in Yahotyn, Pyriatyn and Nizhyn allowed for decrease in natural gas consumption. Granulation of wastes after grain cleaning on the elevator in Berezan allowed substitution of natural gas with this bio-fuel in all premises of the Company.

Grain Alliance continues implementation of its environmental and social action plan which aims to improve the environmental, health and safety programs, the employee-management relationship; During 2020, the company has developed and implemented a stakeholder engagement plan and the corporate social responsibility program.

Human resource policy

Grain Alliance has an active HR policy that centers around personal development and education. To fulfill its policy, the company has taken all appropriate measures to offer remote trainings for the personnel of all levels.

To withstand challenges of COVID-19 pandemic, the company has followed all possible precaution measures for the workplaces, including regular environmental cleaning and disinfection, physical distancing, hand and respiratory hygiene, reduction of work-related travels, provision of regular information about the risk of COVID-19 to increase awareness among workers and promote safe individual practices at the workplace etcetera.

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, unbalanced trade balance and strained public finances. The operations as such are also associated to risks in the form of volatile world prices, climate change and other external influences on the soil and crops. The fact that operations are conducted in Ukraine also entails elevated economic and political risks compared with, for example, Sweden. In 2020, the Ukrainian political and economic situation demonstrated slight improvements. The political situation remains unchanged and continued military conflict in the eastern parts of Ukraine has affected the operations and financial result. An eventual further deterioration of the political and macroeconomic situation in Ukraine may affect the subsidiaries' situation negatively. Relations between Ukraine and the Russian Federation are very tense and also constitute an additional risk for the company.

The company monitors the current situation and if necessary, will take measures 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 30.

Important events during the reporting period

The proceeds from sales were used to repay short-term debts in local currency and for purchase of agricultural inputs (seeds, herbicides, fertilizers).

All farming depends on weather conditions. During August 2020, extremely dry weather and high air temperature limited corn maturity and yields potential.

As an international company Grain Alliance is exposed to currency risks. In 2020, the local currency decreased in value almost by 20-30% against all major currencies from the beginning of the year till the year end.

Land Reform update. On 31 March 2020 the Parliament of Ukraine finally voted for so called "land reform" to deliberate land sales and purchases.

The market will launch in two stages:

From July 1, 2021, individual Ukrainian citizens will be allowed to purchase agricultural land in Ukraine, up to a limit of 100 hectares. This limit will stay in place until January 1, 2024.

January 1, 2024 will see the second phase of land reform launched – Ukrainian companies will be able to purchase agricultural land. Restrictions on land sizes will be moved from 100 hectares to 10,000 hectares.

In late 2019, news of the spread of the COVID-19 virus (coronavirus) from China first appeared and at the beginning of 2020, the COVID-19 pandemic reached every country globally and prompted introduction of measures aimed at containing further outbreak. In March 2020, the World Health Organization (WHO) declared the coronavirus (SARS-CoV-2 virus) as a pandemic. Ukraine also implemented different measures to protect people and support businesses. The Government of Ukraine introduced quarantine measures on a country-wide basis regulating its strictness depending on the epidemiological situation.

The impact of COVID-19 on the Group's results was not material during 2020. The Group cooperates with big suppliers and there was no significant disruption in the supplying of materials, which allowed us to complete the production process of growing, collecting, storing and selling products as usual. Our operations and logistics were running quite smoothly throughout the year. Management continues monitoring of the situation closely on a permanent basis and will assess the need for additional measures in case the period of disruption becomes prolonged.

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

During the first quarter of 2021, 70 500 tons of corn, 4 000 tons of soy and 2 000 tons of sunflower, which were kept as security against possible further devaluation of local currency before seeding 2021, were sold by 4 870 UAH/t, 16 321 UAH/t and 17 875 UAH/t net VAT.

The group has purchased 54 railway cars for transportation of grain, total cost 70MUAH including VAT. Parts of the loans have been repaid after the balance sheet date with a total of 297.7 million UAH, and new loans have been taken with a total of 126.7 million UAH.

PLANS FOR THE FUTURE

Grain Alliance will continue to produce crops in Ukraine, expand the cultivated area and secure the land bank. The company believes that one of the continuing key success factors is to have storage capacity to fend off price fluctuations and logistic bottlenecks during harvest time.

The planned expansion will mainly take place in the regions where the company already has significant operations, but also other geographical areas deemed by the Board to be of interest for potential expansion. In addition to the expansion of the land bank and further investment in equipment upgrade, the company will continue enhancement of agro-techniques with an increased focus on agronomy and in-house scientific laboratory development.

KEY RATIOS

	2020	2019	2018	2017	2016
Turn over, KSEK	451 448	641 680	366 818	438 041	211 179
Operational result, KSEK	151 293	63 793	147 019	43 396	104 734
Result after financial costs, KSEK	47 494	(22 309)	130 293	10 411	84 071
Equity ratio %	43,82%	45,89%	56,74%	60,52%	55,70%
Cash flow, KSEK	42 351	8 437	9 084	12 113	(5 748)

OUTLINE OF THE PARENT COMPANY RESULTS

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

Retained earnings	262 581 110
Net result of the period	1 241 548
	263 822 658

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

Dividend	0
to be carried forward	263 822 658

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.

Consolidated statement of comprehensive income
In thousands of SEK

	Notes	The Group 2020	2019
Revenue from sales	5	451 448	641 680
Net gain / (loss) on fair value measurement of biological assets and agricultural produce	18	165 874	107 403
Cost of sales	6, 12	(403 680)	(617 940)
Gross profit		**213 641**	**131 143**
Other operating income	7	4 228	6 907
General and administrative expenses	8	(33 104)	(32 384)
Selling expenses	8	(24 328)	(34 644)
Other operating expenses	9	(9 143)	(7 228)
Operating profit / (loss)		**151 293**	**63 794**
Finance costs	10	(76 220)	(97 653)
Finance income	11	737	431
Foreign exchange gain	13	(28 314)	11 119
Profit / (loss) before tax		**47 495**	**(22 309)**
Income tax expense	14	(1)	-
Profit / (loss) for the year		**47 494**	**(22 309)**

	2020	2019
Other comprehensive income:		
Items that can be reclassified in the income statement		
Foreign exchange differences	(127 502)	82 521
Tax effect	-	-
Total comprehensive income for the year	**(127 502)**	**82 521**
Whereof attributed to equity holders of the company	**47 494**	**(22 309)**
Whereof attributed to equity holders of the company	**(80 008)**	**60 212**

Consolidated statement of financial position

In thousands of SEK

	Notes	The Group	
Non-current assets		**2020**	**2019**
Property, plant and equipment	15	201 605	279 758
Intangible assets	16	2 332	2 734
Biological assets	18	3 199	4 214
Other non-current assets	17	40 726	41 290
Right of use assets - Land leases	19	234 378	324 798
		482 241	**652 794**
Current assets			
Inventories	20	252 196	264 857
Biological assets	18	7 700	12 701
Trade and other receivables	21	9 223	17 387
Other current assets	21	52 487	32 625
Cash and cash equivalents	22	84 884	42 533
		406 491	**370 103**
Total assets		**888 733**	**1 022 897**
Equity			
Issued capital	23	11 556	11 556
Other contributed capital		278 295	278 295
Foreign currency translation reserve		(217 221)	(89 719)
Retained earnings		316 780	269 285
		389 410	**469 417**
Non-current liabilities			
Loans and borrowings relative parties	24	32 064	10 918
Loans and borrowings	24	32 496	33 082
Long term lease obligation	25	238 961	319 751
		303 521	**363 751**
Current liabilities			
Loans and borrowings bank	24,32	139 584	109 901
Loans and borrowings relative parties	24	-	20 421
Short term lease obligation	25	23 339	21 476
Trade and other liabilities	26	15 560	23 604
Other current liabilities	26	17 320	14 327
		195 803	**189 729**
Total liabilities		**499 324**	**553 480**
Total equity and liabilities		**888 733**	**1 022 897**

Consolidated statement of changes in equity
In thousands of SEK

The Group	Issued Capital	Other contributed capital	Foreign exchange differences	Retained earnings	Total equity
Balance at 31 December 2018	**11 556**	**278 295**	**(172 240)**	**291 594**	**409 205**
Profit for the year				(22 309)	(22 309)
Other comprehensive income			82 521		82 521
Total comprehensive income			*82 521*	*(22 309)*	*60 212*
Transactions with owners					
Issue of capital					
Balance at 31 December 2019	**11 556**	**278 295**	**(89 719)**	**269 285**	**469 417**
Profit for the year				47 494	47 494
Other comprehensive income			(127 502)		(127 502)
Total comprehensive income			*(127 502)*	*47 494*	*(80 008)*
Transactions with owners					
Issue of capital					
Balance at 31 December 2020	**11 556**	**278 295**	**(217 221)**	**316 780**	**389 410**

Consolidated statement of cash flow
In thousands of SEK

	The Group	
	2020	**2019**
Operating activities		
Profit / (loss) before tax	**47 494**	**(22 309)**
Non-cash adjustments:		
Net gain / (loss) on fair value measurement of biological assets and agricultural produce	(165 871)	(107 403)
Depreciation	80 243	60 176
Gain on sales of fixed assets	1 232	(15)
Finance income	(737)	(430)
Foreign exchange gain	28 314	(11 116)
Finance costs	76 220	95 506
Loss on impairment of accounts receivable and prepayments	2 112	1 852
Shortages and losses from damage of valuables	2 259	5 350
Working capital adjustments:		
Change in biological assets	339	112 229
Change in trade receivables and other current assets	(20 175)	72 513
Change in agricultural produce and other inventories	57 085	149 316
Change in trade and other payables and other current liabilities	5 057	1 495
	113 572	**357 114**
Interest received	737	430
Cash flows from operating activities	**114 309**	**357 544**
Investing activities		
Purchase of property, plant and equipment	(42 246)	(65 622)
Prepayments for property, plant and equipment	-	-
Sales of property, plant and equipment	1 181	(634)
Purchase of Intangibles assets	(1 178)	(3 381)
Proceeds from (payments for) other non-current assets, net	(3 451)	(26 455)
Net cash flows used in investing activities	**(45 694)**	**(96 092)**
Financing activity		
Proceeds from loans and borrowings	360 806	259 715
Repayment of loans and borrowings	(297 246)	(394 930)
Interest paid	(15 929)	(37 909)
Payment of finance lease obligations	(62 623)	(81 598)
Net cash flows from financing activities	**(14 992)**	**(254 722)**
Net change in cash and cash equivalents	53 623	6 730
Foreign exchange difference cash	(11 273)	1 706
Cash and cash equivalents at 1 January	42 533	34 096
Cash and cash equivalents at 31 December (Note 22)	**84 884**	**42 533**

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 (Humlegårdsgatan 19A, 114 46, Stockholm) in Sweden. The company is a majority-owned subsidiary of Agro Ukraina AB (corporate id.number 559040-4157, with registered office in Kalmar). Agro Ukraina 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*	*2020*	*2019*
Baryshevska Grain Company LLC	32886518	Ukraine, Baryshevka	Planting, livestock farming	100%	100%
Baryshevska Grain Trading Company LLC	39843554	Ukraine, Yarmolenci	Planting	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 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. Following the significant deterioration in 2014-2016, the current political and economic situation in Ukraine remains unstable. The Ukrainian government continues to pursue a comprehensive structural reform agenda aiming at the removal of the existing imbalances in the economy, public finance and governance, fighting corruption, reforming judiciary system etc. with the goal to secure conditions for the economic recovery in the country.

1.2 Covid-19

The Covid-19 outbreak was first reported near the end of 2019. At that time, a cluster of cases displaying the symptoms of a 'pneumonia of unknown cause' were identified in Wuhan, the capital of China's Hubei province. On 31 December 2019, China alerted the World Health Organization (WHO) of this new virus. On 30 January 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a 'Public Health Emergency of International Concern'. Since then, the virus has spread worldwide. On 11 March 2020, the WHO declared the Covid-19 outbreak to be a pandemic.

Covid-19 has significantly impacted the world economy. Many countries have imposed travel bans on millions of people and additionally people in many locations are subject to quarantine measures. Businesses are dealing with lost revenue and disrupted supply chains. While some countries have started to ease the lockdown, the relaxation has been gradual and, as a result of the disruption to businesses, millions of workers have lost their jobs. The Covid-19 pandemic has also resulted in significant volatility in the financial and commodities markets worldwide. Numerous governments have announced measures to provide both financial and non-financial assistance to the affected entities.

The Covid-19 pandemic affects the assumptions and estimation uncertainty associated with the measurement of assets and liabilities.

2. BASIS OF PREPARATION

These consolidated financial statements are presented for approval by the annual general meeting on 17 of June 2021. The Board has presented the annual report for publication on 4 of June 2021.

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 International Financial Reporting Standards (IFRS). 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 2020.

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 reporting 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 approximates 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.

Intangible assets

BZK Grain Alliance AB maintains accounting of the intangible assets in accordance with IAS 38.
The company records the intangible assets in the following groups:

- right to use land in the form of emphyteusis;
- royalty;
- software.

The initial cost of intangible assets is formed from the actually incurred costs of its acquisition or creation.
The initial cost of intangible assets includes:

1) asset purchase price
2) direct costs required to bring intangible assets into working condition.

Not included in the cost of an intangible asset, but written off to expenses of the period:

· General administrative expenses;
· Training costs;
· Initial operating losses.

Subsequent costs are capitalized if they satisfy the criteria for capitalization of subsequent costs. In particular, capitalized costs are the costs inquired for development of additional modules of the automated operating system (ERP), as well as the costs of increasing the functionality and bringing the system into a usable state.
The costs of the current setup, maintenance and software updates are included in the current expenses of the reporting period.

After initial recognition, intangible assets are accounted for using the actual cost model less accumulated depreciation and accumulated impairment losses (IAS 36). Intangible assets are amortized over their entire useful life using the straight-line method.
The liquidation value of intangible assets with a definite useful life is recognized equal to zero.

Asset category	*Useful life (years)*
Right to use land in the form of emphyteusis	According to contract period
Software	3
Royalty	1

The company analyses the useful lives of intangible assets, the residual value and the depreciation method for the need to review them at each annual reporting date. Changes in estimates are accounted for prospectively.
An intangible asset is derecognized:

1) upon disposal of an asset or
2) when the future economic benefits are no longer expected from the asset.

The gain or loss on derecognition of intangible assets is calculated as the difference between the net income from disposal (sale) and the carrying amount of the asset.
Gains or losses on disposals relate to other income and expenses and are recognized in profit or loss in a collapsed form.

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
Valued at level 3

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 weighted average cost. 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.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities of the Group are represented by cash and cash equivalents, trade accounts receivable, net, bank borrowings, trade accounts payable and other financial liabilities. The accounting policies for initial recognition and subsequent measurement of financial instruments are disclosed in the respective accounting policies set out below in this Note.

Financial assets and financial liabilities are initially recognised at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost (this category is the most relevant to the Group):

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at Financial assets at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at Financial assets at fair value through profit or loss:

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For trade accounts receivable and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert's reports, financial analysts, governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Low credit risk financial instruments

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

i. The financial instrument has a low risk of default,

ii. The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

iii. Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Default definition

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or another financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade accounts receivable, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Inputs, assumptions and estimation techniques used by measurement and recognition of expected credit losses are disclosed in respective Notes 9 and 21 to financial assets.

Financial liabilities

Initial recognition and measurement

The Group's financial liabilities include trade and other payables, loans and borrowings, leases and derivative financial instruments.

All financial liabilities are recognised initially at fair value and are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between:

• the carrying amount of the liability before the modification; and

• the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss.

Trade accounts receivable, net

Trade accounts receivable are measured at initial recognition at transaction price, and are subsequently measured at amortised cost using the effective interest rate method. Trade accounts receivable, net which are non-interest bearing, are stated at their nominal value.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash with banks, deposits and marketable securities with an maturity of less than three months from the date of acquisition.

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.

Bank borrowings and other long-term payables

Interest-bearing bank borrowings and other long-term payables are initially measured at fair value net of directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of trans- action costs) and the settlement or redemption amount is recognised over the term of the borrowings and recorded as finance costs.

Trade and other accounts payable

Accounts payable are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Lease Liabilities

The Group assesses whether a contract is or contains a lease, at inception of the contract.

The Group recognises lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments. The Group does not apply the short term and low-value lease exemptions.

The Group measures the lease liability at the present value of the lease payments that are not paid at the commencement date, discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The incremental borrowing rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group recognises interest on lease liabilities based on incremental borrowing rate, presented within interest expenses in the consolidated statement of profit or loss.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

• the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

• the lease payments change due to changes in an index or rate or market rate, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

In the statement of cash flows the Group separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities).

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation (either based on legal regulations or implied) as a result of past events, and it is probable that an out- flow of resources will be required to settle the obligation and a reliable estimate of the obligation can be made.

Pension

The Parent Company reports defined contribution pension plan. The company pays fixed contributions and have no obligations to pay further contributions. The costs for pensions are recognized as an expense in the period incurred. Net pension costs are shown in Note 27.

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.

Termination benefits

A debt is recognized at the point of termination only if the company is provably committed to terminate the employment before ordinary time or when benefits is offered to encourage optional departure.

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.

Revenue recognition

The Group generates revenue primarily from the sale of agricultural products to the end customers.

The Group recognises revenue from the following major sources:

- grain;
- meat processing products and other meat;
- other agricultural operations (milk, feed grains and other).

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer. The Group recognises revenue at a point in time when it transfers control of a product or service to a customer.

The Group's revenue flows are analysed in accordance with the five-step model set out in IFRS 15. The Group's income is recognized at each time when crops are sold. Revenue is recognized when the Group fulfils a commitment by transferring the agreed crop and the customer thereby gaining control of the crop. Delivery is done according to agreed delivery terms.

Revenues amounts to the amount that the Group expects to receive as compensation for the transferred crops. A receivable is recognized at the time the compensation becomes unconditional, ie. only the passing of time is required for payment to take place. The most common payment procedure is that about 90% is paid within three days from the time the crops have been placed in the wagons they are to be transported in, the remaining 10% must be paid within three days after the crops have been weighed in the port from which they are to be transported. The transaction price consists of a determined price for each individual agreement and the revenue from the sale is reported based on the price in the agreement. The sales price does not consist of variable parts and there are no additional performance commitments other than those described above.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs, or as an offset against finance costs when received as compensation for the finance costs for agricultural producers. To the extent the conditions attached to the grants are not met at the reporting date, the received funds are recorded in the Group's consolidated financial statements as deferred income, which is recognised in profit or loss on a systematic basis over the useful life of the related assets.

Other government grants are recognised at the moment when the decision to disburse the amounts to the Group is made. Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached on them and that the grants will be received.

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 simplified tax (called fixed agricultural tax in past) 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 unified tax is assessed at 0.95% on the deemed value of the land plots owned or leased by the entity (as determined by the relevant State authorities). The rate of tax for the Polissia region and the mountain zones is set at 0.57%. As at 31 December 2020, all Baryshevska Grain Company LLC as a subsidiary was elected to pay the unified tax. The unified 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 since there is uncertainty to what extent these can be used, as the company has historically reported a loss. There are not any temporary differences in the Ukrainian subsidiaries when it 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.

New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases.

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

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:

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Leasing contracts are recognized as assets and liabilities in the balance sheet, with recognition of depreciation and interest expense in the income statement. Agreements shorter than 12 months and lease contracts for which the underlying assets is of low value recognised as expenses. And agreements that constitute operational leasing agreements have thus been capitalized in the balance sheet. The Groups leasing agreements consist of land leases.

Lease classification – Group as lessor

The Group has entered into vehicles leases. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial lease and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial lease, that it retains substantially all the risks and rewards incidental to ownership of these assets and accounts for the contracts as operating leases.

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

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 of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF 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 performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

Provision for expected credit losses of trade receivables and contract

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 21.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 31 for further disclosures.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

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.

In thousands of SEK

5. Revenue from sales

	The Group	
	2020	***2019***
Corn	198 898	357 797
Sunflower	69 637	108 140
Soy	117 677	97 910
Wheat	30 676	44 299
Milk	10 827	9 893
Meat	2 399	-
Barley	-	4
Other	640	1 991
	430 754	620 032
Auxiliary agricultural services	20 620	18 876
Other	73	2 771
	451 448	**641 680**

Revenues from Four major customers, each individually exceeding 10% of total revenue, amounted to 212 693 (2019: two customers – SEK 253 251).

	The Group	
	2020	
Kernel	63 008	14%
Bunge	54 490	12%
Sierentz	50 892	11%
Suntrade	44 303	10%
Other	238 755	53%
	451 448	**100 %**

The Group's income is recognized at each time when crops are sold. Revenue is recognized when the Group fulfills a commitment by transferring the agreed crop and the customer thereby gaining control of the crop. Delivery is done according to agreed delivery terms. The transaction price consists of a determined price for each individual agreement and the revenue from the sale is reported based on the price in the agreement. The sales price does not consist of variable parts and there are no additional performance commitments other than those described above.

In thousands of SEK

6. Cost of sales

	The Group	
	2020	**2019**
Depreciation of intangible assets	18	829
Depreciation of property, plant and equipment	36 954	25 767
Depreciation Right-to-use assets	36 050	31 768
Depreciation of other non-current assets	4 015	-
Cost of auxiliary agricultural services	4 125	6 455
Cost of agricultural produce sold	322 468	553 121
Cost of other produce	50	-
	403 680	**617 940**

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 total depreciation in presented in note 12.

7. Other operating income

	The Group	
	2020	**2019**
Gain on accounts payable written off	115	271
Government subsides recognized as income	1 202	6 145
Penalties received	-	74
Gain on disposal of inventories	125	40
Gain from early termination of a lease (16 IFRS)	1 311	-
Gain on disposal of PPE	887	-
Fixed assets received free of charge	205	-
Surplus of inventories	189	-
Rental Income	190	-
Other income	4	377
	4 228	**6 907**

In thousands of SEK

8. Selling, general and administrative expenses

General and administrative expenses	*The Group* *2020*	*2019*
Payroll and related taxes	15 547	16 086
Professional services	10 318	8 608
Fuel and other materials used	2 647	2 934
Services provided by third parties	253	423
Depreciation expenses	3 206	1 812
Repair and maintenance expenses	918	962
Representative costs and business trips	40	98
Other expenses	176	1 461
	33 104	**32 385**

Selling expenses	*The Group* *2020*	*2019*
Payroll and related taxes	604	536
Fuel and other materials used	697	1 516
Services provided by third parties	44	1 533
Transportation	22 971	30 618
Repair and maintenance expenses	12	25
Other expenses	-	411
	24 328	**34 644**

Audit fees for the parent company and the Group in year 2020 and 2019 relates to fees payable to Ernst & Young. Audit fees included in the general and administrative costs are as follows:

	The Group *2020*	*2019*
Audit assignment fees	693	380
Other	205	-
	898	**380**

Audit assignments include review of the annual report and the accounting, as well as the administration of the board and the managing director, other tasks that is assigned to the company's auditor, as well as advice or other assistance that is caused by observations during such examination or the implementation of such other tasks.

In thousands of SEK

9. Other operating expenses

	The Group	
	2020	***2019***
Shortages and losses from damage of valuables	2 259	345
Charity expenses (i)	1 909	3 029
Result on disposal of inventories	-	25
Increase in bad debt allowance for trade receivables	-	1 852
Loss on impairment of accounts receivable and prepayments	2 112	-
Loss on disposal of PPE	2 119	-
Other expenses	744	1 978
	9 143	**7 228**

(i) Products and services provided to schools, kindergartens and hospitals, provided by the charitable foundation.

10. Finance costs

	The Group	
	2020	***2019***
Interest on loans and borrowings related party	716	864
Interest on loans and borrowings bank	16 512	39 192
Financial costs of financial lease	58 756	57 597
Financial costs of discounting of financial aids	232	-
Other	4	-
	76 220	**97 653**

11. Finance income

	The Group	
	2020	***2019***
Interest income	737	431
	737	**431**

In thousands of SEK

12. Depreciation

	The Group	
	2020	***2019***
Depreciation property, plant and equipment (within cost of sales)	36 954	25 767
Depreciation property, plant and equipment (within G&A expense)	2 338	1 812
Depreciation intangibles assets	831	829
Depreciation other non-current assets	4 015	-
Depreciation right-to-use assets	36 105	31 768
	80 243	**60 176**

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

13. Foreign exchange gain/loss

	The Group	
	2020	***2019***
Foreign exchange difference within the Group	(9 261)	6 656
Foreign exchange difference others	(19 053)	4 463
	(28 314)	**11 119**

14. Income tax

	The Group	
	2020	**2019**
Current tax	1	-
Deferred tax	-	-
	1	**-**

In thousands of SEK

15. Property, plant and Equipment

	Land	*Building & constuctions*	*Plant & Equipment*	*Vehicles*	*Furnitue*	*Constuction in progress*	*Total*
Cost							
As at 1 January 2019	**1 908**	**89 874**	**158 472**	**24 304**	**4 174**	**9 896**	**288 628**
Additions	20	8 637	26 374	4 460	441	25 690	65 622
Transfer	-	4 502	980	-	586	(6 088)	-
Disposals	-	(197)	(25)	(241)	(1 351)	(69)	(1 882)
Foreign currency translation differences	384	18 931	33 703	5 336	813	3 378	62 546
As at 31 December 2019	**2 312**	**121 748**	**219 503**	**33 859**	**4 664**	**32 827**	**414 914**
Additions	-	9 616	35 618	1 862	1 433	-	48 528
Transfer	-	5 982	(6 042)	67	(7)	-	-
Disposals	(27)	(1 369)	(4 422)	(41)	(531)	(10 880)	(17 270)
Foreign currency translation differences	(612)	(34 554)	(62 225)	(9 563)	(1 376)	(7 132)	(115 461)
As at 31 December 2020	**1 672**	**101 423**	**182 433**	**26 184**	**4 183**	**14 815**	**330 711**
Depreciation							
As at 1 January 2019	**-**	**(18 244)**	**(58 457)**	**(9 453)**	**(2 920)**	**-**	**(89 074)**
Depreciation for the year	-	(3 475)	(19 811)	(3 683)	(612)	-	(27 579)
Reclassification	-	-	-	-	-	-	-
Disposals	-	49	25	68	1 120	-	1 263
Foreign currency translation differences	-	(3 900)	(13 125)	(2 192)	(549)	-	(19 766)
As at 31 December 2019	**-**	**(25 569)**	**(91 368)**	**(15 260)**	**(2 960)**	**-**	**(135 157)**
Depreciation for the year	-	(2 649)	(30 513)	(5 563)	(568)	-	(39 292)
Reclassification	-	4 972	(4 896)	(45)	(31)	-	-
Disposals	-	290	3 142	36	508	-	3 977
Foreign currency translation differences	-	6 425	29 137	5 001	803	-	41 366
As at 31 December 2020	**-**	**(16 530)**	**(94 498)**	**(15 830)**	**(2 248)**	**-**	**(129 106)**
Net book value							
As at 31 December 2019	**2 312**	**96 179**	**128 135**	**18 600**	**1 704**	**32 827**	**279 758**
As at 31 December 2020	**1 672**	**84 893**	**87 935**	**10 354**	**1 935**	**14 815**	**201 605**

The accompanying notes form an integral part of these consolidated and parent company's financial statements

In thousands of SEK

Property, plant and equipment comprised the following as at 31 December each year:

	2020	2019
Property, plant and equipment	194 703	279 758
Prepayments for property, plant and equipment	6 902	-
Total property, plant and equipment	**201 605**	**279 758**

As at 31 December 2020, a value of 102 072 regarding property, plant and equipment was pledged as a security for the bank loans (2019: SEK 149 668 - note 32).

16. INTANGIBLE ASSETS

	The right to use land in the form of emphyteusis	*Royalty*	*Software*	*Total*
Cost				
As at 1 January 2019	**-**	**-**	**-**	**-**
Additions	759	713	1 909	3 381
Disposals	-	-	-	-
Foreign currency translation differences	54	51	136	241
As at 31 December 2019	**814**	**764**	**2 045**	**3 623**
Additions	208	488	728	1 424
Disposals	-	(658)	(221)	(879)
Foreign currency translation differences	(248)	(178)	(620)	(1 046)
As at 31 December 2020	**774**	**415**	**1 932**	**3 121**
Depreciation				
As at 1 January 2019	**-**	**-**	**-**	**-**
Depreciation for the year	(4)	(713)	(112)	(829)
Disposals	-	-	-	-
Foreign currency translation differences	-	(51)	(8)	(59)
As at 31 December 2019	**(4)**	**(764)**	**(120)**	**(888)**
Depreciation for the year	(18)	(488)	(325)	(831)
Disposals	-	658	12	670
Foreign currency translation differences	4	178	79	261
As at 31 December 2020	**(18)**	**(415)**	**(355)**	**(789)**
Net book value				
As at 31 December 2019	809	-	1 925	2 734
As at 31 December 2020	755	-	1 577	2 332

In thousands of SEK

17. Other non-current assets

	The Group	
	2020	***2019***
Long-term receivables	5 931	-
Prepaid lease expenses	33 837	36 433
Other non-current assets	958	4 857
	40 726	**41 290**

18. Biological assets

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 2019		**22 277**	**1 714**	**23 991**
Increase due to purchases and subsequent expenditures		384 230	7 492	391 721
Decrease due to crops harvest	(i)	(505 383)	(4 226)	(509 609)
Decrease due to sales		-	(602)	(602)
Net gain / (loss) arising from changes in fair value of biological assets and agricultural produce (less cost to sell)	(ii)	107 092	311	107 403
Livestock losses		-	(3)	(3)
Currency translation differences		3 460	555	4 015
Carrying amount at 31 December 2019	(iii)	**11 676**	**5 240**	**16 916**
Increase due to purchases and subsequent expenditures		225 677	14 735	240 412
Decrease due to crops harvest	(i)	(399 184)	(6 729)	(405 913)
Decrease due to sales		-	(2 131)	(2 131)
Net gain / (loss) arising from changes in fair value of biological assets and agricultural produce (less cost to sell)	(ii)	171 721	(5 847)	165 874
Livestock losses		-	(13)	(13)
Currency translation differences		(2 850)	(1 398)	(4 250)
Carrying amount at 31 December 2020	(iii)	**7 039**	**3 856**	**10 899**

Biological assets are recognized at fair value from a cash flow model according to IFRS 13 at level 3. Key assumptions in the model include discount rate, projected sales price and yield per hectare.

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 2020 and 2019 was as follows:

In thousands of SEK

	The Group			
	2020		***2019***	
	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	189 995	223 402	206 470	264 477
Wheat	15 457	25 989	22 770	49 762
Sunflower	23 034	71 193	41 111	99 788
Barley	-	-	106	137
Soybean	23 029	76 516	31 344	99 314
Other	4 041	2 084	2 323	1 181
	255 556	**399 184**	**304 124**	**514 660**

(i) 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			
	2020		***2019***	
	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	5,6	1 681	5,7	2 186
Barley	-	-	2,2	1 293
Corn	6,4	1 176	7,4	1 281
Soybean	1,8	3 323	2,2	3 168
Sunflower	2,8	3 091	2,9	2 427

(iii) Biological assets as at 31 December comprised:

Livestock

	The Group			
	2020		***2019***	
	Number, heads	*Carrying value*	*Number, heads*	*Carrying value*
Cattle	1 266	3 856	783	4 209
Others	-	-	543	1 031
	1 266	**3 856**	**1 326**	**5 240**

In thousands of SEK

Plants

	The Group			
	2020		***2019***	
	Hectares	*Carrying amount*	*Hectares*	*Carrying amount*
Winter wheat	3 630	7 039	3 099	11 670
Corn	-	-	-	-
Others	-	-	-	-
	3 630	**7 039**	**3 099**	**11 670**

19. Right of use assets

	Land
As at 31 December 2018	-
Transition to IFRS 16	274 297
Additions	27 606
Disposals	-
Foreign currency translation differences	56 930
As at 31 December 2019	**358 833**
Additions	52 423
Disposals	(20 866)
Foreign currency translation differences	(100 302)
As at 31 December 2020	**290 089**
Depreciation	
As at 1 January 2018	-
Depreciation for the year	(31 768)
Disposals	-
Foreign currency translation differences	(2 267)
As at 31 December 2019	**(34 035)**
Depreciation for the year	(36 105)
Disposals	-
Foreign currency translation differences	14 430
As at 31 December 2020	**(55 710)**
Net book value	
As at 31 December 2019	**324 798**
As at 31 December 2020	**234 378**

The average discount rate used is 16,8% (2019: 17,9%).

In thousands of SEK

20. Inventories

	The Group	
	2020	***2019***
Agricultural produce *(at fair value less costs to sell or net realisable value)* (i)	206 219	174 356
Work in progress *(at cost)* (ii)	24 199	42 236
Raw materials *(at cost)* (iii)	14 310	13 253
Fertilizer, herbicide and pesticide *(at cost)*	5 740	32 193
Other inventories *(at cost)*	1 728	2 818
	252 196	**264 857**

(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.

On 31 December 2020 the inventory provided security for bank loans to the amount of 31 051 (2019: 87 038).

21. Trade and other receivables, other current assets

	The Group	
Trade and other receivables	**2020**	**2019**
Trade receivables	9 223	17 387
Less: bad debt allowance	-	-
	9 223	**17 387**
Other current assets		
Deferred expenses	5 260	21 315
Advances paid	32 591	6 570
VAT recoverable	9 859	3 846
Loans issued	498	-
Income tax prepayment	2	-
Other prepaid taxes	179	-
Other	4 099	895
	52 487	**32 625**

In thousands of SEK

	The Group
	Provision for bad debts
As at 1 January 2019	**-**
Charge for the year	-
Used amounts	-
Foreign exchange translation difference	-
As at 31 December 2019	**-**
Charge for the year	-
Foreign exchange translation difference	-
As at 31 December 2020	**-**

For detailed information about aging see note 30.

22. Cash and cash equivalents

	The Group	
	2020	***2019***
Cash:		
- on bank accounts	84 847	42 488
- on hand	37	45
	84 884	**42 533**

As at 31 December 2020, a value of SEK 9 022 regarding to escrow account (2019: SEK 10 266 – note 32).

23. Share capital

The registered share capital amounts to SEK 11 556 (2019: SEK 11 556) and consists of 7 807 775 shares (2019: 7 807 775 shares). BZK Grain Alliance AB only has one class of shares carrying equal voting power.

24. Loans and borrowings

As at 31 December 2020 loans and borrowings are as follows:

		Maturity	*2021*	*2021-2024*	
	Currency	*Interest*	*Current portion*	*Non-current portion*	*Total*
Ukrainian bank	USD	5-5,75%	-	-	-
European bank	EUR	5%	352	32 496	32 848
Ukrainian bank	UAH	8-9,25%%	139 232	-	139 232
Related party (Note 28)	SEK	4-7%	-	32 064	32 064
			139 584	**64 560**	**204 143**

In thousands of SEK

As at 31 December 2019 loans and borrowings are as follows:

		Maturity	*2020*	*2020-2023*	
	Currency	*Interest*	*Current portion*	*Non-current portion*	*Total*
Ukrainian bank	USD	5-5,75%	10 057	-	10 057
European bank	EUR	5%	-	33 082	33 082
Ukrainian bank	UAH	16,5%-20%	99 844	-	99 844
Related party (Note 28)	SEK	4-7%	20 421	10 918	31 339
			130 322	**44 000**	**174 323**

25. Leasing liability

	The Group	
	2020	**2019**
Within one year	23 339	21 476
In the second to the fifth year inclusive	122 960	115 825
After fifth year	116 001	203 926
	262 300	**341 228**

26. Trade and other liabilities, other current liabilities

	The Group	
	2020	***2019***
Trade and other liabilities		
Trade liabilities	10 187	15 426
Payroll and related taxes	1 873	4 049
Unused vacations accrual	3 335	4 123
Other	165	6
	15 560	**23 604**
Other current liabilities		
Value added tax	-	-
Advances received	13 265	8 629
Accrued expenses	480	-
Income tax payable	-	-
Other taxes	2 426	3 053
Lease payable	889	-
Other	260	2 645
	17 320	**14 326**

In thousands of SEK

27. Number of employees and employee benefits

Number of employees

	2020			2019		
	Women	**Men**	**Total**	**Women**	**Men**	**Total**
Sweden	-	-	-	-	-	-
Ukraine	223	862	1 085	251	933	1 184
	223	**862**	**1 085**	**251**	**933**	**1 184**

The management of the Group consists of 100% male.

Employee benefits

	The Group	
	2020	**2019**
Board and senior executives	970	775
Other employees	55 616	58 723
Pension costs Board and senior executives	183	146
Pension costs other employees	10 283	10 782
Social security costs	1 758	1 835
	68 810	**72 261**

28. Related party disclosures

Ultimate Controlling Party

As at 31 December 2020 the majority owner of the Parent Company is Agro Ukraina AB, which is a subsidiary of Claesson & Anderzén AB. A citizen of Sweden, Mr Johan Claesson, has the controlling interest in Claesson & Anderzén AB.

At December 31, the Group's outstanding balances with related parties as follows:

	2020	**2019**
Entity under common control		
Loans and borrowings	(32 064)	(31 339)
Of which:		
CA Investment AB	*(16 679)*	*(16 450)*
CA Agroinvest AB	*(13 390)*	*(12 980)*
Ukrainian Investment AB	*(1 995)*	*(1 909)*

In thousands of SEK

Trade and other payables	-	-
Trade and other receivables and other non- current assets	1 741	-
Of which:		
Agrogolden LLC	*1 741*	-

The transactions with the related parties during the years ended 31 December were as follows:

	2020	**2019**
Entities under common control		
Interest expenses	(704)	(864)
Of which:		
CA Investment AB	*(210)*	*(370)*
CA Agroinvest AB	*(409)*	*(409)*
Ukrainian Investment AB	*(85)*	*(85)*
Interest-free funding granted	1 780	-
Of which:		
Agrogolden LLC	*1 780*	-
Revenue from services rendered	739	-
Of which:		
Agrogolden LLC	*739*	-
Purchase of intangibles assets	-	(267)
Of which:		
Radovenyuk EA	-	*(267)*

Compensation to key management personnel

For the year ended 31 December 2020, remuneration paid by the Group to key management personnel was SEK 970 (2019: SEK 775). Compensation included contractual salaries and related taxes.

Key management personnel consist of six individuals as at 31 December 2020 (2019: six).

29. 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.

In thousands of SEK

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.

30. 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 2020 and 2019. 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 2020 and 2019.

Interest rate risk

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
2020	***Change in basis points***	***The Group***
Change in interest rate (LIBOR)	100	(1 979)
Change in interest rate (LIBOR)	(100)	1 979

2019	***Change in basis points***	***The Group***
Change in interest rate (LIBOR)	100	(595)
Change in interest rate (LIBOR)	(100)	595

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.

In thousands of SEK

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
2020	***Change in foreign currency rate***	***The Group***
Change in USD exchange rate	1%	620
Change in USD exchange rate	(1%)	(620)
2019	***Change in foreign currency rate***	***The Group***
Change in USD exchange rate	1%	133
Change in USD exchange rate	(1%)	(133)

		Effect on profit before tax
2020	***Change in foreign currency rate***	***The Group***
Change in EUR exchange rate	1%	(323)
Change in EUR exchange rate	(1%)	323

2019	***Change in foreign currency rate***	***The Group***
Change in EUR exchange rate	1%	(181)
Change in EUR exchange rate	(1%)	181

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:

	Payable on demand	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***>5 years***	***Total***
31-dec-20						
Loans and borrowings, principal amount	-	138 468	-	51 685	7 737	197 890
Interest payable	-	1 117	-	5 137	-	6 254
Future interest expenses	-	3 394	1 219	6 499	2 031	13 143
Trade and other liabilities (Note 23)	3 693	4 763	7 104	-	-	15 560
Lease obligation	-	3 508	19 831	122 960	116 001	262 300
Other current liabilities	-	2 713	862	-	-	3 575
	3 693	**153 962**	**29 016**	**186 282**	**125 769**	**498 722**

In thousands of SEK

	Payable on demand	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*>5 years*	*Total*
31-dec-19						
Loans and borrowings, principal amount	-	-	128 146	37 729	1 569	167 444
Interest payable	2 177	-	-	4 701	-	6 878
Future interest expenses	-	5 519	16 558	8 228	-	30 305
Trade and other liabilities (Note 23)	10 384	12 794	426	-	-	23 604
Lease obligation	-	5 369	16 107	115 825	203 926	341 227
Other current liabilities	-	5 697	-	-	-	5 697
	12 561	**29 378**	**161 237**	**166 483**	**205 495**	**575 154**

Liabilities	***The Group***	
	2020	**2019**
Ingoing balance	**174 323**	**281 624**
Proceeds from loans and borrowings	360 806	259 715
Repayment of borrowings	(297 246)	(394 930)
Interest paid	(15 929)	-
Finance cost	17 228	-
Exchange rate difference	24 370	27 914
Translation differences	(59 408)	-
Outgoing balance	**204 144**	**174 323**

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 21.

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

	The Group							
		Past due, but not impaired						
	Neither past due, nor impaired	*<1 month*	*1-2 months*	*2-3 Months*	*3-6 months*	*6-12 months*	*More than 12 months*	*Total*
31-dec-20								
Trade and other receivables	3 491	3 386	26	39	127	2 154	-	9 223
	3 491	**3 386**	**26**	**39**	**127**	**2 154**	**-**	**9 223**

In thousands of SEK

	The Group							
		Past due, but not impaired						
	Neither past due, nor impaired	*<1 month*	*1-2 months*	*2-3 Months*	*3-6 months*	*6-12 months*	*More than 12 months*	*Total*
31-dec-19								
Trade and other receivables	8 747	3 765	281	524	2 396	3 940	-	19 652
	8 747	**3 765**	**281**	**524**	**2 396**	**3 940**	**-**	**19 652**

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 Group	
	2020	***2019***
Loans and borrowings	204 144	174 323
Trade and other liabilities	32 880	37 930
Less cash and cash equivalents	(84 884)	(42 533)
Net debt	**152 140**	**169 720**
Equity	389 410	469 417
Total equity and net debt	541 550	639 137
Gearing ratio	**28%**	**27%**

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%.

In thousands of SEK

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.

Tax Risk

Companies in Ukraine is exposed to tax risks in various contexts, especially with regard to VAT, as there may be ambiguities in the tax rules. However, the risk for Grain Alliance is limited.

31. 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*	
	2020	*2019*	*2020*	*2019*
Financial assets valued at amortized cost				
Cash and cash equivalents	84 884	42 533	84 884	42 533
Trade and other receivables	9 223	17 387	9 223	17 387
Financial liabilities valued at amortized cost				
Trade and other liabilities	32 880	37 930	32 880	37 930
Loans and borrowings	204 144	174 323	204 144	174 323

32. PLEDGED ASSETS

	The Group	
Pledged assets	**2020**	**2019**
Property, plant and equipment	102 072	149 668
Inventories	31 051	87 038
Escrow account	9 022	10 266
	142 145	**246 972**

33. Events after the reporting date

During the first quarter of 2021, 70 500 tons of corn, 4 000 tons of soy and 2 000 tons of sunflower, which were kept as security against possible further devaluation of local currency before seeding 2021, were sold by 4 870 UAH/t, 16 321 UAH/t and 17 875 UAH/t net VAT.

Parts of the loans have been repaid after the balance sheet date with a total of 297.7 million UAH, and new loans have been taken with a total of 126.7 million UAH.

Parent Company's statement of comprehensive income

In thousands of SEK

	Notes	*The Parent Company* 2020	2019
Revenue from sales	2	258 599	297 104
Cost of sales		(247 115)	(282 341)
Gross profit		**11 484**	**14 763**
General and administrative expenses	3	(3 062)	(708)
Operating profit / (loss)		**8 422**	**14 055**
Finance costs	4	(709)	(2 720)
Finance income	5	1 586	1 631
Foreign exchange gain	6	(8 057)	3 402
Profit / (loss) before tax		**1 242**	**16 368**
Income tax expense	19	-	-
Profit / (loss) for the year		**1 242**	**16 368**
Other comprehensive income:		-	-
Total comprehensive income for the year		**1 242**	**16 368**

The accompanying notes form an integral part of these consolidated and parent company's financial statements

Parent Company's statement of financial position
In thousands of SEK

	Notes	*The Parent Company* 2020	2019
Non-current assets			
Shares in subsidiaries	7	256 426	256 426
Other non-current assets		5 380	-
		261 806	**256 426**
Current assets			
Receivable subsidiary	8	31 588	34 336
Receivables	8	445	-
Other current assets	8	10 624	7 123
Cash and cash equivalents	9	27 584	21 659
		70 241	**63 118**
Total assets		**332 048**	**319 544**
Equity	10		
Issued capital	11	11 556	11 556
Other contributed capital		278 295	278 295
Retained earnings		(14 472)	(15 714)
		275 379	**274 137**
Non-current liabilities			
Loans and borrowings relative parties	12	32 064	10 918
		32 064	**10 918**
Current liabilities			
Loans and borrowings relative parties	12	-	20 421
Trade and other liabilities relative parties	13	13 493	7 822
Trade and other liabilities	13	8	11
Other current liabilities	13	11 105	6 233
		24 606	**34 488**
Total liabilities		**56 670**	**45 406**
Total equity and liabilities		**332 048**	**319 543**

The accompanying notes form an integral part of these consolidated and parent company's financial statements

In thousands of SEK

The Parent Company	Issued capital (restricted equity)	Other contributed capital (non-restricted equity)	Retained earnings (non-restricted equity)	Total Equity
Balance at 31 December 2018	**11 556**	**278 295**	**(32 083)**	**257 768**
Profit for the year			16 368	16 368
Total comprehensive income			*16 368*	*16 368*
Transactions with owners				
Balance at 31 December 2019	**11 556**	**278 295**	**(15 714)**	**274 136**
Profit for the year			1 242	1 242
Total comprehensive income			*1 242*	*1 242*
Transactions with owners				
Balance at 31 December 2020	**11 556**	**278 295**	**(14 472)**	**275 379**

Parent Company's statement of cash flows
In thousands of SEK

	The Parent Company	
	2020	**2019**
Operating activities		
Profit / (loss) before tax	1 242	16 368
Non cash adjustments:		
Finance income	(1 586)	(1 631)
Finance costs	709	2 720
Working capital adjustments:		
Change in trade receivables and other current assets	(1 198)	(6 793)
Increase in trade and other payables and other current liabilities	10 536	3 379
	9 703	**14 043**
Interest received	1 586	1 631
Income tax paid	-	-
Net cash flows from operating activities	**11 289**	**15 674**
Investing activities		
Purchase of non-current assets	(5 380)	-
Net cash flows used in investing activities	**(5 380)**	**-**
Financing activity		
Proceeds from loans and borrowings	725	-
Repayment of borrowings	-	(20 069)
Interest paid	(709)	(2 720)
Net cash flows from financing activities	**16**	**(22 789)**
Net change in cash and cash equivalents	5 925	(7 115)
Foreign exchange difference cash	-	-
Cash and cash equivalents at 1 January	21 659	28 774
Cash and cash equivalents at 31 December	**27 584**	**21 659**

In thousands of SEK

1. 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 for the investment in prior years. Such reversal is recognised in the statement of comprehensive income

2. Revenue from sales

	The Parent Company	
	2020	***2019***
Sales of agricultural produce	258 599	297 104
Sales of services rendered	-	-
	258 599	**297 104**

Revenues from four major customers, each individually exceeding 10% of total revenue, amounted to SEK 173 179 SEK (2019: four customers – SEK 187 650).

	The Parent Company	
	2020	
Bunge	54 490	21%
Sierentz	50 892	20%
Inerco	40 305	16%
Cargill	27 492	11%
Others	85 420	32%
	258 599	**100%**

In thousands of SEK

3. Selling, general and administrative expenses

	The Parent Company	
General and administrative expenses	***2020***	***2019***
Professional services (i)	3 062	708
	3 062	**708**

Audit fees for the parent company and the Group in year 2020 and 2019 relates to fees payable to Ernst & Young. Audit fees included in the general and administrative costs are as follows:

	The Parent Company	
	2020	***2019***
Audit assignment fees	693	380
Other	205	
	898	**380**

Audit assignments include review of the annual report and the accounting, as well as the administration of the board and the managing director, other tasks that is assigned to the company's auditor, as well as advice or other assistance that is caused by observations during such examination or the implementation of such other tasks.

4. Finance costs

	The Parent Company	
	2020	***2019***
Interest on loans and borrowings to related parties	705	864
Interest others	-	-
Bank fees	4	14
Other	-	1 842
	709	**2 720**

5. Finance income

	The Parent Company	
	2020	***2019***
Interest Income related parties	1 586	1 631
Other	-	-
	1 586	**1 631**

In thousands of SEK

6. Foreign exchange gain/loss

	The Parent Company	
	2020	***2019***
Foreign exchange difference within the group	3 461	1 353
Foreign exchange difference cash	4 596	2 049
	8 057	**3 402**

7. Shares in subsidiaries

	The Parent Company
As at 1 January 2019	**256 426**
Investments in subsidiaries	-
Liquidation subsidiaries	-
As at 31 December 2019 (i)	**256 426**
Investments in subsidiaries	-
Liquidation subsidiaries	-
As at 31 December 2020 (i)	**256 426**

(i)

			2020		**2019**	
	Location	**Corporate id**	**Ownership SEK**	**Ownership %**	**Ownership SEK**	**Ownership %**
Baryshevska Grain Company LLC	Baryshevka, Ukraine	2886518	256 367	100%	256 367	100%
Baryshevska Grain Trading Company LLC	Yarmolenci, Ukraine	39843554	59	100%	59	100%
			256 426		256 426	

In thousands of SEK

8. Trade and other receivables, other current assets

	The Parent Company	
Trade and other receivables	**2020**	**2019**
Trade receivables due from related party (Note 15)	31 588	34 336
Trade Receivables	445	-
	32 033	**34 336**
Other current assets		
Advances paid	10 609	5 614
Accrued income	-	1 491
VAT recoverable	15	18
	10 624	**7 123**

For detailed information about aging see note 16.

9. Cash and cash equivalents

	The Parent Company	
	2020	***2019***
Cash:		
- on bank accounts	18 562	11 393
- escrow account	9 022	10 266
	27 584	**21 659**

10. Equity

Outline of the parent company result:

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

Retained earnings	262 581 110
Net result of the period	1 241 548
	263 822 660
to be carried forward	263 822 660

11. Share capital

The registered share capital amounts to SEK 11 556 (2019: SEK 11 556) and consists of 7 807 775 shares (2019: 7 807 775 shares). BZK Grain Alliance AB only has one class of shares carrying equal voting power.

In thousands of SEK

12. Loans and borrowings

As at 31 December 2020 loans and borrowings are as follows:

			Maturity		
			2021	*2022-2024*	
	Currency	*Interest*	*Current portion*	*Non-current portion*	*Total*
The Parent Company					
Related party (Note 14)	SEK	1,5%-7%	-	32 064	32 064
			-	**32 064**	**32 064**

As at 31 December 2019 loans and borrowings are as follows:

			Maturity		
			2020	*2021-2023*	
	Currency	*Interest*	*Current portion*	*Non-current portion*	*Total*
The Parent Company					
Related party (Note 14)	SEK	1,5%-7%	20 421	10 918	31 339
			20 421	**10 918**	**31 339**

13. Trade and other liabilities, other current liabilities

	The Parent Company	
	2020	***2019***
Trade and other liabilities		
Trade liabilities related parties	13 493	7 822
Trade liabilities	8	11
	13 501	**7 833**
Other current liabilities		
Advances received	10 625	5 807
Accrued expenses	480	426
	11 105	**6 233**

14. Number of employees and employee benefits

Number of employees

	2020			***2019***		
	Women	***Men***	***Total***	***Women***	***Men***	***Total***
Sweden	-	-	-	-	-	-
Ukraine	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**

In thousands of SEK

Employee benefits

The Parent Company	2020	2019
Board and senior executives	-	-
Pension costs	-	-
Social security costs	-	-
	-	**-**

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

15. Related party disclosures

Ultimate Controlling Party

As at 31 December 2019 the majority owner of the Parent Company is Agro Ukraina AB, which is a subsidiary of Claesson & Anderzén AB. A citizen of Sweden, Mr Johan Claesson, has the controlling interest in Claesson & Anderzén AB.

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

	2020	**2019**
Entity under common control		
Loans and borrowings (Note 12)	(32 064)	(31 339)
Of which:		
CA Investment AB	*(16 679)*	*(16 450)*
CA Agroinvest AB	*(13 390)*	*(12 980)*
Ukrainian Investment AB	*(1 995)*	*(1 909)*
Subsidiary		
Trade and other receivables	31 588	34 336
Of which:		
Baryshevski Grain Company LLC	*31 588*	*34 336*
Trade and other receivables	10 609	7 105
Of which:		
Baryshevski Grain Company LLC	*10 609*	*7 105*
Trade and other payables	(10 625)	(7 822)
Of which:		
Baryshevski Grain Company LLC	*(10 625)*	*(7 822)*

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

	2020	**2019**
Interest expenses	(704)	(864)
Of which:		
CA Investment AB	*(210)*	*(370)*
CA Agroinvest AB	*(409)*	*(409)*
Ukrainian Investment AB	*(85)*	*(85)*

In thousands of SEK

	2020	**2019**
Sales of property, plant & Equipment	-	(1 491)
Of which:		
Baryshevska Grain Company LLC	*-*	*(1 491)*
Purchase of crops	(247 115)	(281 086)
Of which:		
Baryshevska Grain Company LLC	*(247 115)*	*(281 086)*

Compensation to key management personnel

For the year ended 31 December 2020, remuneration paid to key management personnel is SEK 0 (2019: 0). Compensation comprised the contractual salary and related taxes.

There are no key management personnel as of 31 December 2020 (2019: zero).

16. 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 2020 and 2019. 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 2020 and 2019.

Interest rate risk

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***
2020		
Change in interest rate (LIBOR)	100	(269)
Change in interest rate (LIBOR)	(100)	269
2019		
Change in interest rate (LIBOR)	100	(266)
Change in interest rate (LIBOR)	(100)	266

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.

In thousands of SEK

		Effect on profit before tax
	Change in foreign currency rate %	***The Parent Company***
2020		
Change in USD exchange rate	1	455
Change in USD exchange rate	(1)	(455)
Change in EUR exchange rate	1	5
Change in EUR exchange rate	(1)	(5)
2019		
Change in USD exchange rate	1	501
Change in USD exchange rate	(1)	(501)
Change in EUR exchange rate	1	7
Change in EUR exchange rate	(1)	(7)

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:

	The Parent Company				
31-dec-20	***Payable on demand***	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***Total***
Loans and borrowings, principal amount	-	-	-	26 927	26 927
Interest payable	-	-	-	5 137	5 137
Trade and other liabilities (Note 13)	-	13 501	-	-	13 501
	-	**13 501**	**-**	**32 064**	**45 565**
31-dec-19					
Loans and borrowings, principal amount	-	-	20 421	6 217	26 638
Interest payable	-	-	-	4 701	4 701
Trade and other liabilities (Note 13)	-	7 833	-	-	7 833
	-	**7 833**	**20 421**	**10 918**	**39 172**

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

In thousands of SEK

		The Parent Company						
		Past due, but not impaired						
31-dec-20	*Neither past due, nor impaired*	*<1 month*	*1-2 months*	*2- 3 months*	*3-4 months*	*4-12 months*	*More than 12 months*	*Total*
Receivables of subsidiary	197		-	197	-	395	30 799	31 588
Trade and other receivables	445		-	-	-	-	-	445
	642		**-**	**197**	**-**	**395**	**30 799**	**32 033**
31-dec-19								
Receivables of subsidiary	434	-	-	434	-	869	32 599	34 336
Trade and other receivables	-	-	-	-	-	-	-	-
	434	**-**	**-**	**434**	**-**	**869**	**32 599**	**34 336**

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	
	2020	***2019***
Loans and borrowings	32 064	31 339
Trade and other liabilities and other current liabilities	24 606	14 067
Less cash and cash equivalents	(27 584)	(21 659)
Net debt	**29 086**	**23 747**
Equity	275 379	274 137
Total equity and net debt	**304 465**	**297 884**
Gearing ratio	**10%**	**8%**

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%.

17. 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:

In thousands of SEK

	The Parent Company			
	Carrying amount		*Fair value*	
	2020	***2019***	***2020***	***2019***
Financial assets valued at amortized cost				
Cash and short-term deposits	27 584	21 659	27 584	21 659
Trade and other receivables	42 657	41 459	42 657	41 459
Financial liabilities valued at amortized cost				
Trade and other payables	24 606	14 067	24 606	14 067
Loans and borrowings	32 064	31 339	32 064	31 339

18. Pledged assets and surety

	The Parent Company	
Pledged assets	***2020***	***2019***
Escrow account	9 022	10 266
	9 022	**10 266**

	The Parent Company	
Surety	***2020***	***2019***
Surety for subsidiaries (for debt to JSC UkrSibbank)	94 169	116 464
Surety for subsidiaries (for debt to Credit Agricole Bank)	70 422	80 127
Surety for subsidiaries (for debt to EBRD)	100 375	104 336
Summa	**264 966**	**300 927**

19. Income tax

The Parent Company

As at 31 December 2020, the tax loss carried forward 7 700 (2019: SEK 8 942). The Company has not reported a deferred tax asset as deficit in the balance sheet.

20. Events after the reporting date

Since the balance sheet date, the outbreak of COVID-19 has continued to affect the entire community. However, BZK Grain Alliances operations have been able to continue as usual.

21. SIGNATURES & STATEMENT OF ASSURANCE

The board of directors hereby assure that the consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) to the extent they have been adopted by the EU, and that the consolidated account provide a fair and true view of the Group´s financial position and result. The annual accounts have been prepared in accordance with generally accepted accounting standards and provide a fair and true view of the Parent company´s financial position and result.

The report of the directors of the Group and the Parent Company provides a fair and true view of the development of the Group´s and the Parent company´s operations, financial position and results, and describes significant risks and uncertainties to which the Parent Company and the companies in the Group are exposed.

Johan Damne *Board member, Chairman*	Johan Claesson *Board member*	Yevgeniy Radovenyuk *Board member*

Our audit report was presented on

Franz Lindström
Authorized public accountant