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

CONTENTS

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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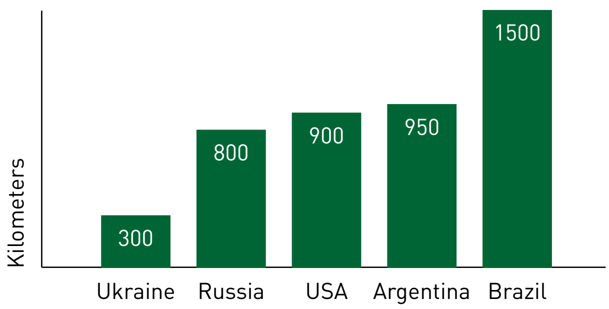
GRAIN ALLIANCE

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.

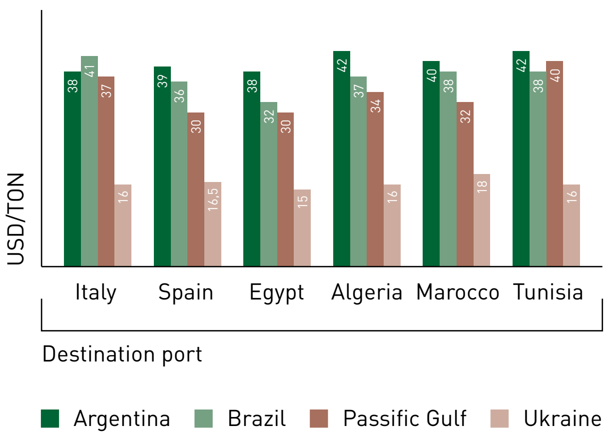
The combination of excellent soil, efficient modern farming, superior infrastructure and proximity to all major import markets is our key to success.

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

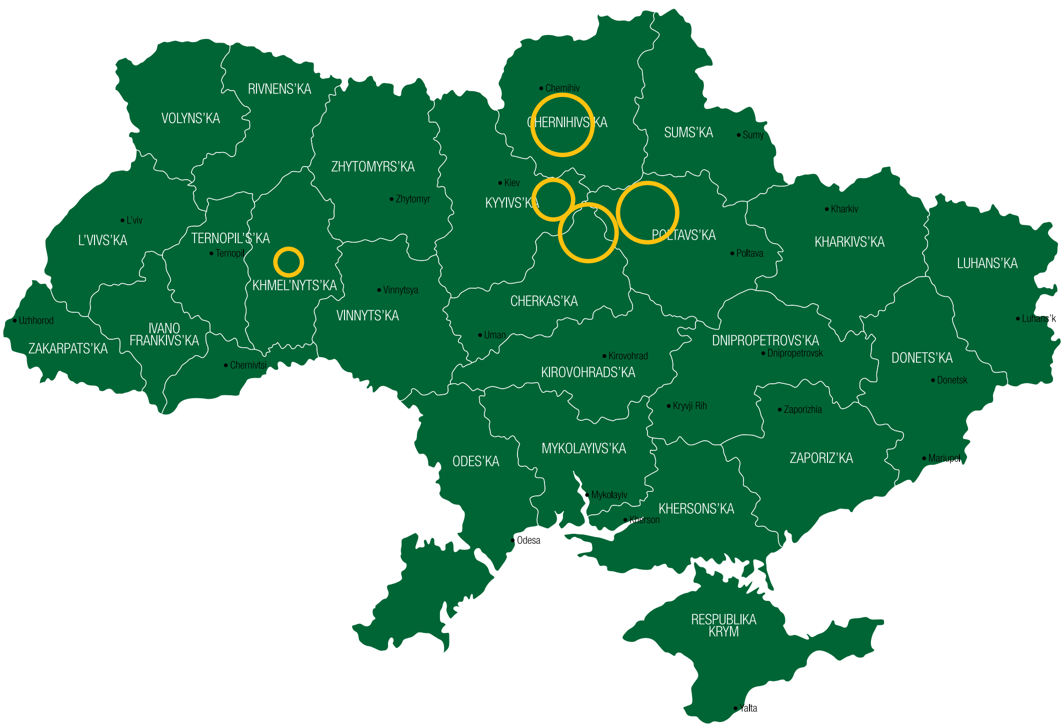
Grain Alliance is one of the leading agricultural companies in Ukraine. The company cultivates around 51,000 hectares of arable land in central Ukraine. The foundation for BZK Grain Alliance AB was laid as early as February 26, 1998. At that time, the company was primarily a supplier of agricultural 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.

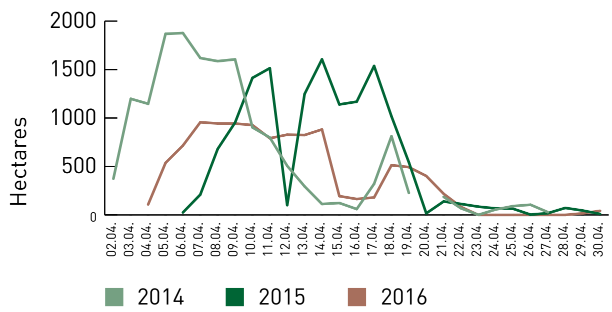
Efficiency and control are paramount in Grain Alliance's strategy and therefore the company tends land within a limited geographical area. The radius of Grain Alliance's core area (the area farmed) is about 80 kilometres. During the past three years, the company has gradually expanded up to 13,000 ha 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

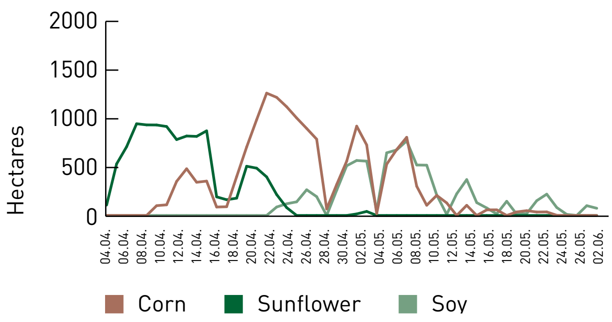
The weather conditions during the spring seeding and summer vegetation were favourable for all crops. The sowing area was 48,342 hectares, of which 43,922 hectares were the main crops: corn, wheat, sunflower and soybeans, with 2,940 hectares of niche crops: pumpkin seeds, oil radish. The seeding began 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



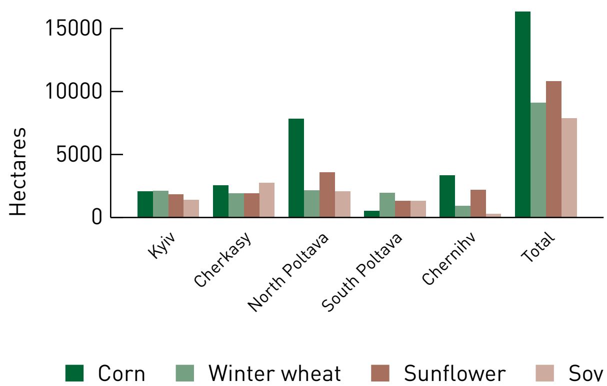
In 2009, Grain Alliance built their own agricultural laboratory to collect and analyse environmental, climate and plant data, which was further enhanced with qualified employees and additional vehicles and tools in 2016. The best practice of seed treatment with microelements and growth stimulants to 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



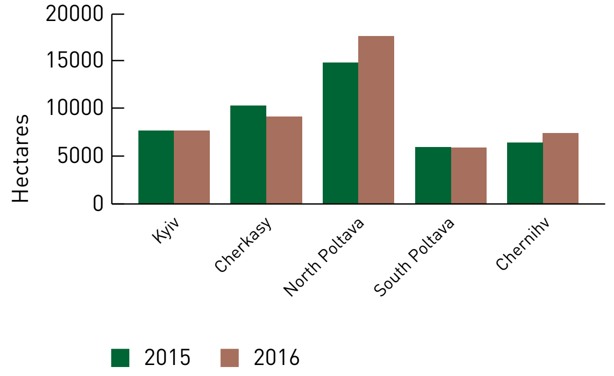
The distribution of crops between the regions was similar, but more focus was placed on winter wheat and soybean area expansion to improve crop rotation. The proportion of sunflower production was decreased, ClearField technology was further applied to fight weeds on new fields, but standard (non- ClearField) 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.

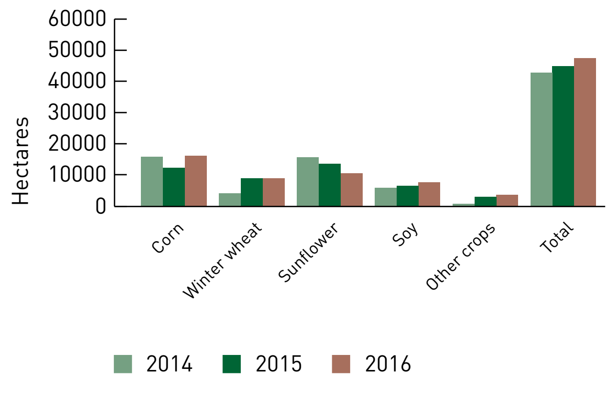
SEEDED HECTARES PER REGION 2016 AND 2015



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

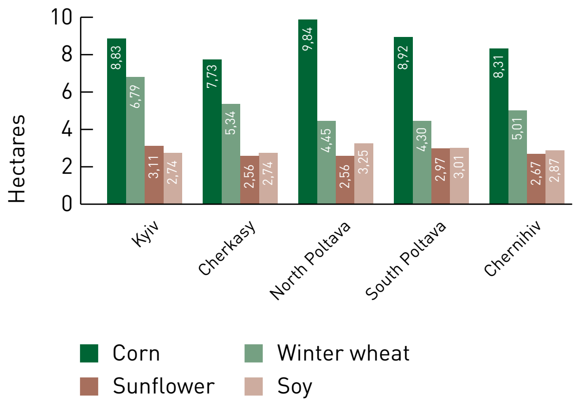
Soybean was seeded on time – between April 21 and May 10, thus giving the plants the 115-124 days of growth required to reach full potential. Seeds were treated with micro- and macro-fertilizers and plants were fed with micro-elements at the appropriate time of their vegetation. Canadian Sevita varieties 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.

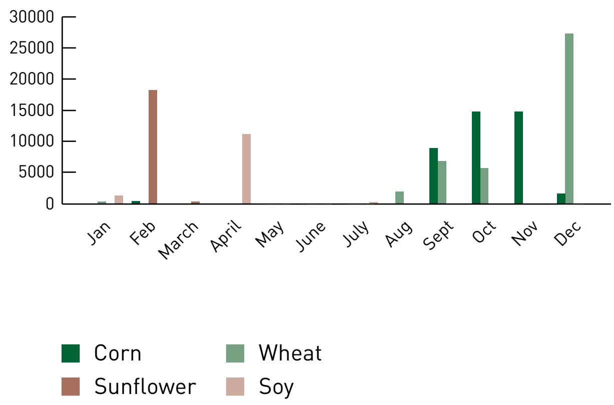
Winter wheat suffered a lot of losses due to high humidity, rainfall and warm weather during the last stage of vegetation. Despite these losses, 90% Grain Alliance's wheat harvest constituted bread quality wheat. We continue to adapt wheat varieties to regional weather and crop rotation specifics.

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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

NOTES TO THE PARENT COMPANY'S ANNUAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

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.

Notes to the consolidated financial statement (in thousands of SEK) 31

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)

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)

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) 61

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)

10. LOANS AND BORROWINGS

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

The Parent Company			Maturity		
			2017	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	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**

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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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