GRAIN ALLIANCE

ANNUAL REPORT 2017

BZK GRAIN ALLIANCE AB

Corporate identity number: 556754-1056

ANNUAL REPORT AND CONSOLIDATED ACCOUNTS

For the financial year 1 of January 2017 – 31 of December 2017

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 20 years of successful large-scale farming in Ukraine, achieving production yields in par with Western peers.
- We control around 56 000 hectares of which 53 000 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 six strategically placed grain elevators; four 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 have good railroad connections to the Black sea ports of Ukraine.
- We produce high quality non-genetically modified soybeans for customers on the Asian and European 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 grain handling capacities accordingly.

Evgeniy Radovenyuk, CEO

WHO WE ARE

Grain Alliance is an efficient grain and oilseed producer in Ukraine. The company controls 56,000 hectares in Ukraine; out of this area 53,000 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 2017 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, and launched two 1000 tons/day dryers in 2017 working on bio-fuel.

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. Despite a very turbulent business environment and hard weather the strong operational focus has generated positive 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

2017 was the fifth 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. End of April – beginning of May were followed by low above-zero night temperatures which have slightly decreased the intensity of growth processes.

COUNTRY RISKS

As an international company Grain Alliance is exposed to currency risks. In 2017 the local currency was almost not affected by devaluation against all major currencies in comparison to previous years.

GLOBAL PRICES

Five years in a row of record-breaking harvests keep 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 2017

- Another year of record stocks kept prices low.
- The military conflict in the Donbas area continued.
- Weather conditions were negative for all crops besides wheat in the first part of the year.
- Early and fast seeding of all crops.
- Chernihiv region continues to grow and deliver reasonable results.
- Cultivated area increased.
- Storage capacity was developed in the Pyriatyn and Nizhin regions.
- Two new bio-mass thermal generators for drying of grain was launched.

FINANCIAL STATEMENTS IN BRIEF

(in thousands of SEK)

	2017	2016
Revenue, including revaluation of biologicalassets	459 270	318 576
Grossprofit	79 611	134 655
EBITDA	60 981	117 489
EBITDA margin	13%	37%
Net profit	10 409	84 046
Net margin	2%	26%
Depreciation, total	17 585	12 755
Total assets	404 612	491 029
Total equity	244 891	273 453
Currency effects on equity	-206 276	-167 306
Total liabilities	159 720	217 576
No. of shares	7 807 775	7 807 775
Profit per share	1	11
Equity per share	31	35
Equity ratio	61%	56%

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 2017

The fund supports village schools and during 2017 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.

HOW INTERNATIONAL ACCOUNTING STANDARDS, IFRS, AFFECT GRAIN ALLIANCE

As an agricultural producer, Grain Alliance uses IAS 41 Agriculture. The main assets employed in all agricultural companies are biological assets, which are subject to growth, deterioration, production, and reproduction during the production cycles. Due to these unique features of biological assets, specific accounting and reporting treatment is provided 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 2017 was 16%, 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 54,000 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 four regions (clusters), where each region cultivates between 8,000 and 18,000 hectares. Each of the regions is fully equipped with modern agricultural equipment and the short distances between the regions enable the efficient utilization of machinery. In order to perform efficient handling and storage of the produced grain, the company has five drying facilities, three of which have a direct rail connection.

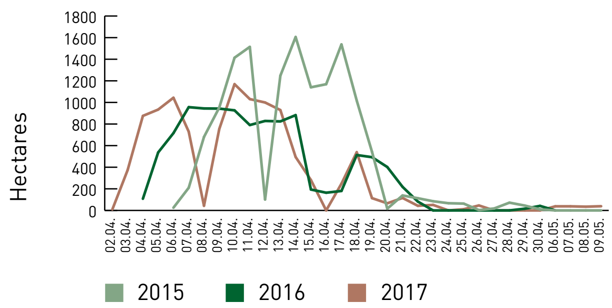
Efficiency and control are paramount in Grain Alliance's strategy and therefore the company tends land within a limited geographical area. The radius of Grain Alliance's core area (the area farmed) is about 80 kilometres. During the past three years, the company has gradually expanded up to 15,000 ha in the Chernihiv region, north of Kyiv. Cultivating land in a limited geographical area allows a more efficient use of resources as transport 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 2017

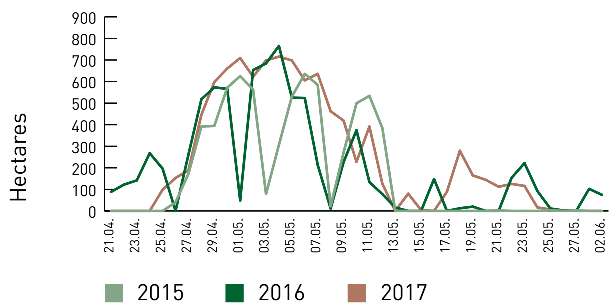
Grain Alliance has faced the major challenge in sowing campaign 2017 – more than 13 600 ha of land remained without autumn tillage. The weather conditions during April were favourable for all crops. However, in the first half of May night frosts caused loss and partial damage of corn shots on the area of 8300 ha.

Total cultivated area was 51 015 hectares, out of which 47 473 hectares of the main crops: corn, wheat, sunflower and soybeans, 1 480 hectares of the niche crops: oil flax, spelt and peas. The seeding began and ended in regular terms, - between April 02 and mid-May. On average 1000 hectares per day were seeded. The diagram below illustrates the difference in sowing period and seeding rate compared with the previous years:

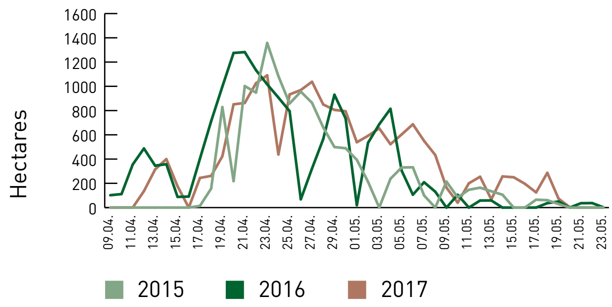
SUNFLOWER SEEDING 2015 – 2017



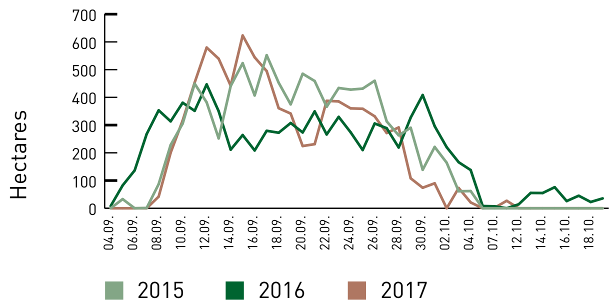
SOY SEEDING 2015 – 2017



CORN SEEDING 2015 – 2017

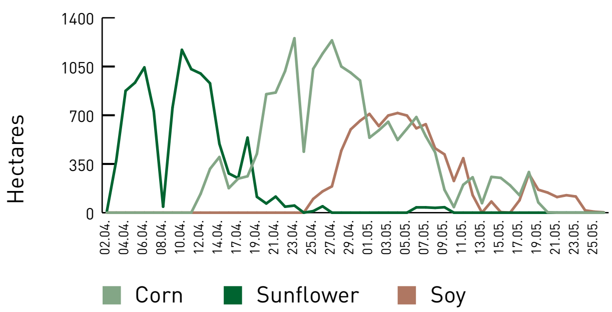


WINTER WHEAT SEEDING 2015 – 2017



Grain Alliance continues development of its own agricultural laboratory that collects and analyses environmental, climate and plant data. The detailed agrochemical inspection of soils was carried out on the area of 16 000 ha with the aim to determine the level of acidity, fertility, content of macro- and microelements. The best practice of seeds treatment with microelements and growth stimulants to boost vegetation process, which was initially applied in 2015, was further multiplied in 2017 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 2017

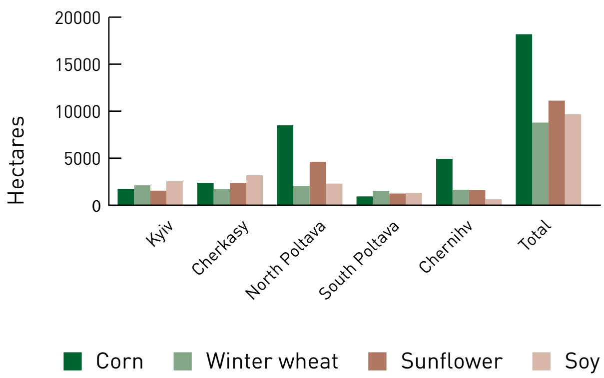


ALLOCATION OF CROPS

The harvested area increased by 2 000 hectares (+4%) compared with 2016. The distribution of crops between the Kyiv and the Cherkasy regions was similar, but more attention was devoted to soybean areas expansion to improve crops rotation. Both Poltava and Chernihiv clusters were mostly focused on production of corn and sunflower. The Company has increased the share of soy to 9600 ha (+22% y/y) by replacing pumpkin and sunflower. Pumpkin was eliminated from the sowing structure – it became less attractive due to high volatility on the sales market. The Company continued improvement of soy and oil flax production technology in the Chernihiv cluster. Oil flax was seeded after winter wheat and corn as the predecessors. Soybeans harvest demonstrated better results than in 2016 – 2.9 tons per hectare in gross.

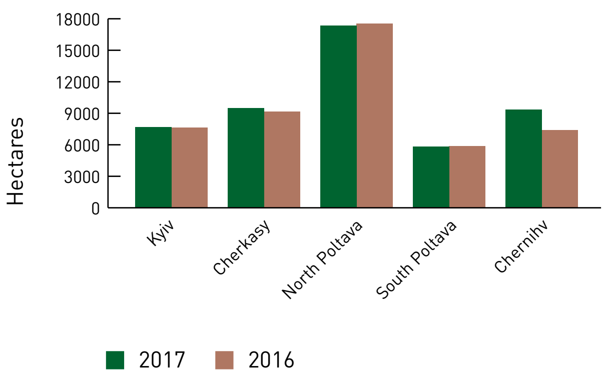
Ratio of sunflower production was decreased to 20% of the total sowing area. The hybrid composition was represented by 48% of the classic hybrids and 52% of the Clearfield hybrids.

ALLOCATION OF CROPS PER REGION, 2017

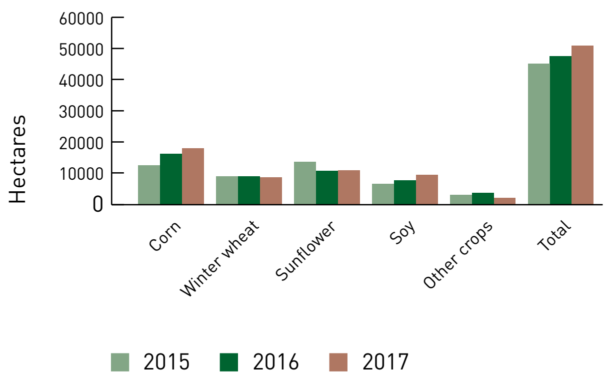


Grain Alliance continued to increase the cultivated area, mainly in the Chernihiv region. The expansion there constituted around 2000 hectares via signing new land leases. In other regions, nearby landowners had fewer opportunities to choose to lease out their land to Grain Alliance and expansion was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

SEEDED HECTARES PER REGION 2017 AND 2016



DYNAMIC OF HARVESTED HA 2015 – 2017



HARVEST 2017

The weather during the main vegetation period was not favourable with frosts in early May, almost no rainfalls in June and high temperatures with drought in July-August. Plenty of rainfalls during the autumn-time substantially prolonged the harvesting period.

Crop	2014		2015		2016		2017	
	Hectares harvested	Yield, ton/ha	Hectares harvested	Yield, ton/ha	Hectares harvested	Yield, ton/ha	Hectares harvested	Yield, ton/ha
Corn	15 938	7,30	12 548	7,53	16 271	9,04	18 112	6,83
Winter wheat	4 278	5,03	9 019	4,69	9 066	5,21	8 715	4,61
Sunflower	15 959	2,70	13 787	2,67	10 759	2,72	11 049	2,51
Soy	6 003	1,85	6 612	2,60	7 827	2,92	9 597	2,29

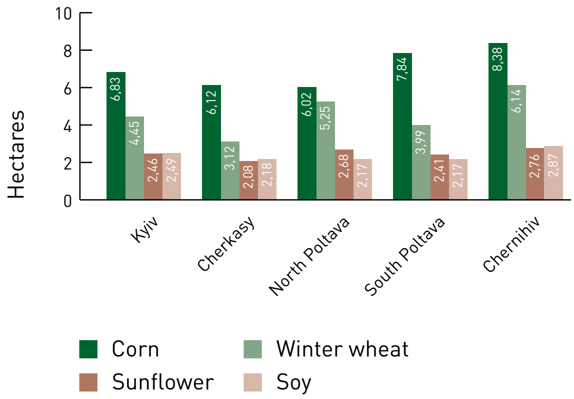
Soybean was seeded in time – between April 25 and May 12, thus giving the plants the 115-124 days of growth required to reach full potential. Seeds were treated with micro- and macro-fertilizers and plants were fed with micro-elements in due time of their vegetation.

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

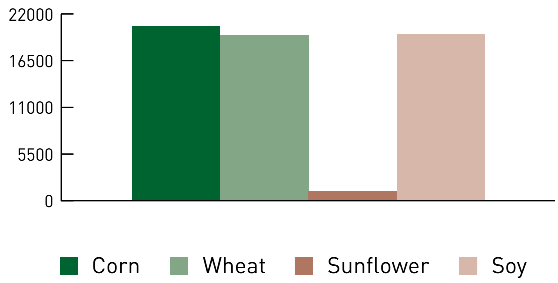
Winter wheat suffered a lot due to low temperature in May and warm weather during its last stage of vegetation. Despite of that, 70% of Grain Alliance's wheat harvest constituted bread quality wheat. We continue adaptation of wheat varieties to regional weather and crop rotation specifics.

In 2017, only the Chernihiv region met their target budgets in term of net yields after cleaning and drying. We also see that the Chernihiv, despite the expansion and poorer soils, continues to deliver reasonable results.

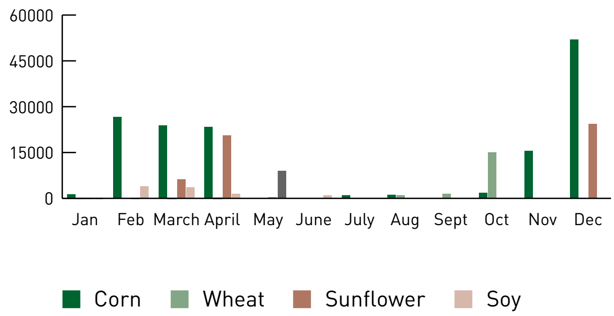
BUNKER YIELDS PER HECTARE, TONS/HA, 2017



STOCK, TONS AS OF 2017-12-31



SALES, TONS 2017



CROP PRICES AND SALES 2017

During the 1st half of 2017, Grain Alliance has been pursuing the export oriented policy. The crop prices did not recover from the large fall in 2013-2015. The last three years' global harvests and stocks are the largest in history of humanity, which has led to sharply reduced and stably low prices. Despite the conflict in the eastern parts of the country and deep financial crisis 62.0 million tons of grain were harvested, 6% fall over the previous years (66.0 million tonne). The local grain market was not affected by the further UAH devaluation during the 1st half of 2017. Due to implementation of 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 for devaluation of local currency between fall and winter time, we decided to sell main volumes of grain harvest 2016 during winter – spring 2017 and decided to use benefits of extra credit lines available for early purchase of seeds, herbicides and fertilizers in September-December 2017. As of December 31, 2017, the Company had approximately 60 thousand tons of grain in stock.

DIRECTORS' REPORT

RESULT/SALES 2017

As mentioned earlier, grain prices remained at a relatively low level, mainly due to good harvests worldwide. The pressed prices have affected Grain Alliance´s financial result. Stocks of grain harvested 2017 were mainly sold in spring 2018 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 financial position.

CURRENCY EFFECTS

The company's operational currency is the Ukrainian hryvnia, which demonstrated 10% devaluation in 2017 against both the Swedish krona, but did not substantially devaluate against 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.

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 soften in comparison to 2016, allowing for dividends payment for 2014-2016 and the ratio of obligatory currency sales was decreased from 75% to 50%.

INVESTMENTS DURING 2017

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 did related investments into machinery and infrastructure to support growth. 2014 investments into biomass thermal generator at the elevator in Yahotyn has further demonstrated viability and efficiency, in spite of usage wooden pellets instead of grain cleaning wastes due to their high humidity. Thus, the Company continued its efforts in substitution of natural gas consumption by dryers with bio-fuel – wastes of grain cleaning and wooden pellets. The goal is to reduce the dependence on natural gas as much as possible and to increase the share of renewable fuel in our dryers. In addition to machinery and land expansion investment we expanded storage capacity in Pyriatyn by 12 000 tons that decreased the negative effect of railroad wagons deficit on our harvesting campaign. Since April 2017, the Company started installation of the brand new elevator in the Chernihiv region, close proximity to the Nizhyn city. Its storage capacity has already been developed to 24 000 tons; the dryer was equipped with bio-fuel generator. In coming years, the Nizhyn elevator will be expanded to 72 000 tons of storage that will reduce costs on transportation of grain from the fields to the exiting elevators. Grain Alliance continues development of the value chain of its products by investing into production of flour and liquid fertilizers.

STORAGE AND DRYING CAPACITY 2017-12-31

Elevators	Baryshivka	Berezan	Yahotyn	Pyriatyn	Yarmolyntsi	Nizhyn
Storage cap.	18 000 t.	43 000 t.	55 000 t.	105 000 t.	16 000 t.	22 000 t.
Type of storage	Flat bed	Flat bed + steel silos	Flat bed + steel silos	Steel silos	Flat bed + steel silos	Steel silos
Drying cap.	650 t/day	1 000 t/day	1 000 t/day	1 800 t/day	600 t/day	800 t/day
Railroad	On site	On site	8 km	On site	5,5 km	On site
Shipment cap	400 t/day	1 000 t/day	800 t/day	1 400 t/day	800 t/day	1 000 t/day

EMPLOYEES

The average number of employees in 2017 was 1220, divided between 256 women and 964 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 owners, Ukrainian Investment AB and CA Agroinvest AB, owns 7, 801 155 (99.92%) of the shares. Behind it stands the CA group.

ENVIRONMENTAL ASPECTS AND SUSTAINABILITY

Sustainability and caring for the environment is a central question for Grain Alliance. The Company follows a balanced crop rotation plan, which aims to prevent exhaustion of the soil and minimize negative environmental effects. With this objective the Company extended soybeans production in 2017 and developed linen seeds production in Chernihiv, which are good predecessors for winter wheat and enrich soil with nitrogen and organic leftovers. The crop production approach is based on scientific measurements of the soils and modern production methods. Since 2008 Grain Alliance has carried out annual soil analysis on the cultivated fields. Our laboratory was further strengthened with additional tools in 2017 allowing for analysis of plants development in fields and diagnostics of diseases. The information from the analysis is the basis for the overall environmental strategy that aims to avoid exhaustion, harmful soil compaction and other adverse environmental effects.

Another important part of this environmental strategy is the introduction of modern farming methods, and the old outdated equipment has been replaced in favour of modern equipment. We also introduce new methods of balanced plants' feeding with micro- and macro- fertilizers during vegetation period to avoid soil exhaustion. The Company's long-term goal is to increase the share of renewable fuels in our production as well as in heating of villages and towns around us. The investment in the thermal generators in Yahotyn, Pyriatyn and Nizhyn allowed for decrease in natural gas consumption. Granulation of wastes after grain cleaning on the elevator in Berezan allowed substitution of natural gas with this bio-fuel in all premises of the Company.

HUMAN RESOURCE POLICY

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

RISKS

The Group's agricultural operations are conducted entirely in Ukraine, which can be classed as an economy in transition. A transition economy is characterized by a limited availability of capital, high inflation, unbalanced trade balance and strained public finances. The operations as such are also 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 2017, 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 support of the economy and we should expect stabilization in the near future.

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

The weakness of the national currency (UAH), which experienced more than triple devaluation against US dollar and Euro since 2014, combined with cross border settlement restriction, negative external trade balance, and high inflation represent key risks to the stabilization of the Ukrainian operating environment. 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 27.

IMPORTANT EVENTS DURING THE REPORTING PERIOD

The company increased the cultivated area by 3000 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 2017. The proceeds from sales were used to repay short-term debts in the local currency and to purchase agricultural inputs and machinery.

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

During the first quarter of 2018, 6 000 tons of corn, 5 000 tons of wheat and 13 000 tons of soy, which were kept as security against possible further devaluation of local currency before seeding 2018, were sold by 5600 UAH/t, 5400 UAH/t and 13000 UAH/t.

PLANS FOR THE FUTURE

Grain Alliance will continue to produce crops in Ukraine and expand the cultivated area. The company believes that one of the continuing key success factors will be to have storage capacity to fend off price fluctuations and logistic bottlenecks during harvest time. The planned expansion will mainly take place in the regions where the company already has significant operations, but also other geographical areas deemed by the Board to be of interest for potential expansion. In addition to the expansion of the land bank and further investment in equipment, 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 development of the wheat to flour processing as well as production of liquid fertilizer compositions.

KEY RATIOS

	2017	2016	2015	2014	2013
Turn over, KSEK	438 041	211 179	402 072	225 106	86 289
Operational result, KSEK	43 396	104 734	185 240	93 847	-68 753
Result after financial costs, KSEK	10 411	84 071	129 294	2 230	-77 352
Equity ratio %	60,52%	55,70%	65,50%	32,20%	42,70%
Cash flow, KSEK	12 113	-5 748	14 609	1 711	-52 776

OUTLINE OF THE PARENT COMPANY´S RESULT

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

	SEK
Retained earnings	233 523 390
Net result of the period	-1 538 344
	231 985 046

The Board proposes that the profit/loss be appropriated as follows:	
Dividend	-
To be carried forward	231 985 046
	231 985 046

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 2017	The Group 2016
Revenue from sales	5	438 041	211 179
Net gain / (loss) on fair value measurement of biological assets and agricultural produce	17	21 229	107 396
Cost of sales	6, 12	-379 659	-183 921
Gross profit		**79 611**	**134 655**
Other operating income	7	3 026	2 476
General and administrative expenses	8	-24 974	-26 881
Selling expenses	8	-5 149	-1 222
Other operating expenses	9	-9 119	-4 293
Operating profit / (loss)		**43 396**	**104 734**
Finance costs	10	-26 698	-19 762
Finance income	11	1 073	138
Foreign exchange gain	13	-7 360	-1 040
Profit / (loss) before tax		**10 411**	**84 071**
Income tax expense	14	-2	-25
Profit / (loss) for the year		**10 409**	**84 046**
Other comprehensive income:			
Items that can be reclassified in the income statement			
Foreign exchange differences		-38 970	-8 519
Tax effect		-	-
Total comprehensive income for the year		**-28 561**	**75 527**
Whereof attributed to equity holders of the company		10 409	84 046
Whereof attributed to equity holders of the company		-28 561	75 527

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of SEK

	Notes	The Group 2017	The Group 2016
Non-current assets			
Property, plant and equipment	15	160 952	147 649
Biological assets	17	5 920	5 113
Other non-current assets	16	2 332	383
		169 204	**153 145**
Current assets			
Inventories	18	140 343	240 366
Biological assets	17	24 842	38 647
Trade and other receivables	19	5 759	5 914
Other current assets	19	39 452	40 057
Cash and cash equivalents	20	25 012	12 898
		235 408	**337 883**
Total assets		**404 612**	**491 029**
Equity			
Issued capital	21	11 556	11 556
Other contributed capital		278 295	278 295
Foreign currency translation reserve		-206 276	-167 306
Retained earnings		161 316	150 908
		244 891	**273 453**
Non-current liabilities			
Loans and borrowings	22	-	500
Loans and borrowings relative parties	22	10 048	56 342
		10 048	**56 842**
Current liabilities			
Loans and borrowings bank	22,29	77 453	142 883
Loans and borrowings relative parties	22	47 591	5 495
Trade and other liabilities	23	13 691	10 584
Trade and other liabilities relative parties	23	230	-
Other current liabilities	23	10 707	1 772
		149 672	**160 734**
Total liabilities		**159 720**	**217 576**
Total equity and liabilities		**404 612**	**491 029**

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 2015	**11 556**	**278 295**	**-158 786**	**66 862**	**197 927**
Profit for the year	-	-	-	84 046	84 046
Other comprehensive income	-	-	-8 519	-	-8 519
Total comprehensive income	-	-	**-8 519**	**84 046**	**75 527**
Transactions with owners					
Issue of capital	-	-	-	-	-
Balance at 31 December 2016	**11 556**	**278 295**	**-167 305**	**150 908**	**273 454**
Profit for the year	-	-	-	10 409	10 409
Other comprehensive income	-	-	-38 970		-38 970
Total comprehensive income	-	-	**-38 970**	**10 409**	**-28 561**
Transactions with owners					
Issue of capital	-	-	-	-	-
Balance at 31 December 2017	**11 556**	**278 295**	**-206 275**	**161 317**	**244 893**

CONSOLIDATED STATEMENT OF CASH FLOW

In thousands of SEK

The Group	2017	2016
Operating activities		
Profit / (loss) before tax	10 412	84 046
Non-cash adjustments:		
Depreciation	-	12 827
Gain on sales of fixed assets	17 585	12
Finance income	-836	-138
Foreign exchange gain	-111	1 040
Finance costs	7 360	16 184
Loss on impairment of accounts receivable and prepayments	24 111	1 729
Shortages and losses from damage of valuables	-	687
Working capital adjustments:		
Change in biological assets	6 998	-35 583
Change in trade receivables and other current assets	-5 581	-3 496
Change in agricultural produce and other inventories	70 034	-129 333
Increase in trade and other payables and other current liabilities	14 436	2 310
	144 407	**-49 715**
Interest received	111	138
Net cash flows from operating activities	**144 518**	**-49 577**
Investing activities		
Purchase of property, plant and equipment	-52 706	-53 782
Prepayments for property, plant and equipment	-	-
Sales of property, plant and equipment	1 061	-
Proceeds from (payments for) other non-current assets, net	-1 949	-382
Net cash flows used in investing activities	**-53 594**	**-54 164**
Financing activity		
Proceeds from loans and borrowings	300 965	258 949
Repayment of loans and borrowings	-354 137	-144 772
Interest paid	-24 111	-16 184
Net cash flows from financing activities	**-77 283**	**97 993**
Net change in cash and cash equivalents	13 641	-5 522
Foreign exchange difference cash	- 1 527	-226
Cash and cash equivalents at 1 January	12 898	18 647
Cash and cash equivalents at 31 December (Note 20)	**25 012**	**12 898**

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 (Humlegårdsgatan 19 A, 114 46, 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. OPERATING ENVIRONMENT

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

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

Notes to the consolidated financial statement (in thousands of SEK) 29

2. BASIS OF PREPARATION

These consolidated financial statements were approved for issue by management on 28 of June 2018. The Board has presented the annual report for publication on 14 of June 2018.

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 2017.

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 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 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.

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.

PROVISIONS

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

PENSION

The Parent Company reports defined contribution pension plan. The company pays fixed contributions and have no obligations to pay further contributions. The costs for pensions are recognized as an expense in the period incurred. Net pension costs are shown in Note 24.

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

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

CONTINGENT ASSETS AND LIABILITIES

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

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

LEASES

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

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

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

REVENUE RECOGNITION

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

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

GOVERNMENT GRANTS

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

TAXATION

Ukrainian fixed agricultural tax
According to effective Ukrainian tax legislation, the Group's entities, as involved in production, processing and sale of agricultural products may opt for paying fixed agricultural tax ("FAT") in lieu of income tax, land tax and some other local taxes if the revenues from sale of their own agricultural products constitute not less than 75% of their total (gross) revenues. The FAT is assessed at 0.95% on the deemed value of the land plots owned or leased by the entity (as determined by the relevant State authorities). The FAT rate for the Polissia region and the mountain zones is set at 0.57%. As at 31 December 2017, 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 since there is uncertainty to what extent these can be used, as the company has historically reported a loss. Nor is there any temporary differences in the Ukrainian subsidiaries when it does not recognize any variable tax expense based on the results, see writing above.

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

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 2018 or later and have not been applied in preparing these financial statements.

- ***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. Financial assets are valued at accrued acquisition value, fair value through other comprehensive income, or fair value through profit or loss. The valuation category to be used is based on the company's business model and the characteristics of contractual cash flows. Regarding impairment, a new write-down model is introduced based on expected losses that take into account forward-looking information, which means an earlier recognition of credit losses and hedge accounting means extended information of risk management. IFRS 9 will apply for the fiscal year beginning January 1, 2018. The Group will not calculate comparative figures for the year 2017, in accordance with the transitional rules of the Standard. No significant effect on BZK Grain Alliance ABs earnings and financial position is expected.

- ***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. The group will use the cumulative effect method. No significant effect on BZK Grain Alliance ABs earnings and financial position is expected. However, the Group will be affected by the expanded requirement for disclosures that IFRS 15 implies, which primarily affects the annual report.

- ***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. The effect on BZK Grain Alliance AB´s earnings and financial position will be investigated.

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	2017	2016
Corn	169 905	46 767
Sunflower	151 569	55 178
Wheat	23 979	50 502
Milk	6 408	4 735
Soy	64 778	34 743
Barley	28	26
Fertilizers	727	-
Other	5 628	13 049
	423 021	205 000
Auxiliary agricultural services	15 020	6 179
	438 042	211 179

Revenues from four major customers, each individually exceeding 10% of total revenue, amounted to SEK 325 260 SEK (2016: two customers – SEK 84 980).

	The Group 2017	
Kernel-Trade, LLC	155 102	35 %
Glenkor Agriculture Ukraine	64 664	15 %
Cargill AT, LLC	58 665	13 %
Noble Resource Ukraine	46 827	11 %
Other	112 784	26 %
	438 042	100 %

Notes to the consolidated financial statement (in thousands of SEK) 39

6. COST OF SALES

The Group	2017	2016
Depreciation of intangible assets	-	-
Depreciation of property, plant and equipment	15 918	9 675
Cost of auxiliary agricultural services	1 815	1 082
Cost of agricultural produce sold	361 926	173 164
	379 660	183 921

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	2017	2016
VAT retained (i)	-	762
Gain on accounts payable written off	14	29
Government subsides recognized as income	1 806	422
Gain on disposal of inventories	836	299
Other income	370	962
	3 026	2 475

(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.

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

8. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses	The Group 2017	The Group 2016
Payroll and related taxes	10 147	9 929
Professional services	7 505	11 714
Fuel and other materials used	2 320	2 123
Services provided by third parties	1 943	1 223
Depreciation expenses	1 667	874
Repair and maintenance expenses	651	582
Representative costs and business trips	236	147
Other expenses	505	288
	24 973	26 881

Selling expenses	The Group 2017	The Group 2016
Payroll and related taxes	374	658
Professional services	8	-
Fuel and other materials used	223	298
Transportation	4 463	68
Repair and maintenance expenses	29	23
Other expenses	52	175
	5 149	1 222

Audit fees for the parent company and the Group in year 2017 and 2016 relates to fees payable to Ernst & Young. Audit fees included in the general and administrative costs are as follows:

The Group	2017	2016
Audit assignment fees	641	786
	641	786

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

9. OTHER OPERATING EXPENSES

The Group	2017	2016
Shortages and losses from damage of valuables	1 465	-
Charity expenses (i)	2 657	1 788
Result on disposal of inventories	234	224
Increase in bad debt allowance for trade receivables	852	332
Crops losses (ii)	-	683
Cost of goods sold	431	425
Impairment losses	1 293	-
Penalties	333	-
Food to employees	1 546	-
Other expenses	308	841
	9 119	4 293

(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	2017	2016
Interest on loans and borrowings related party	3 539	1 579
Interest on loans and borrowings bank	22 218	17 233
Convertible loans interest	674	683
Convertible loans charges	267	267
	26 698	19 762

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

11. FINANCE INCOME

The Group	2017	2016
Interest income	1 073	138
	1 073	138

12. DEPRECIATION

The Group	2017	2016
Depreciation property, plant and equipment (within cost of sales)	15 918	11 692
Depreciation general and administrative expenses (within general and administrative expenses)	1 667	1 063
	17 585	12 755

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	2017	2016
Foreign exchange difference on loans within the Group	-2 495	-1 740
Foreign exchange difference on loans	-4 865	700
	-7 360	-1 040

14. INCOME TAX

The Group	2017	2016
Current tax	-2	-
Defered tax	-	-25
	-2	-25

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

15. PROPERTY, PLANT AND EQUIPMENT

	Land	Building & Constructions	Plant & Equipment	Vehicles	Furniture	Construction in progress	Total
Cost							
As at 1 January 2016	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**
Additions	-	16 915	51 572	1 784	389	57 428	128 088
Transfer	-	-15 647	-4 373	-1 278	-	-54 084	-75 382
Disposals	-	-164	-246	-269	-25	-	-704
Foreign currency translation differences	-246	-9 049	-16 486	-1 839	-419	-1 840	-29 879
As at 31 December 2017	**1 705**	**63 095**	**130 105**	**12 337**	**3 027**	**13 885**	**224 154**
Depreciation							
As at 1 January 2016	-	-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**	-	**-54 383**
Depreciation for the year	-	-3 832	-11 846	-1 378	-528	-	-17 585
Reclassification	-	-	-	-	-	-	-
Disposals	-	72	219	154	34	-	479
Foreign currency translation differences	-	1 725	5 682	630	249	-	8 286
As at 31 December 2017	-	**-13 221**	**-43 305**	**-4 782**	**-1 893**	-	**-63 202**
Net book value							
As at 31 December 2016	**1 951**	**59 854**	**62 278**	**9 752**	**1 433**	**12 381**	**147 649**
As at 31 December 2017	**1 705**	**49 874**	**86 800**	**7 555**	**1 134**	**13 885**	**160 952**

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

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

	2017	2016
Property, plant and equipment	160 952	144 200
Prepayments for property, plant and equipment	-	3 449
Total property, plant and equipment	160 952	147 649

As at 31 December 2017, a value of 38 501 regarding property, plant and equipment was pledged as a security for the bank loans (2016: SEK 69 641 - note 29).

16. OTHER NON-CURRENT ASSETS

The Group	2017	2016
Spare parts	1 249	-
Longterm receivables	626	-
Other non-current assets	458	383
	2 333	383

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

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 2016		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
Increase due to purchases and subsequent expenditures		298 067	4 872	302 939
Decrease due to crops harvest	(i)	-331 704	-	-331 704
Decrease due to sales		-	-544	-544
Net gain / (loss) arising from changes in fair value of biological assets and agricultural pro-duce (less cost to sell)	(ii)	23 958	-2 728	21 229
Livestock losses		-	-2	-2
Currency translation differences		-3 904	-927	-4 831
Carrying amount at 31 December 2017	(iii)	23 795	6 968	30 763

Biological assets is recognized at fair value from a cash flow model according to IFRS 13 at level 3. Key assumptions in the model include discount rate, projected sales price and yield per hectare.
Crops harvested during the year are initially recognised at fair value less costs to sell at the time of harvest. For determination of fair value of agricultural produce, the domestic crop prices, where supported by management plans, less costs to sell at the time of harvest are used. Crop production for the years ended 31 December 2017 and 2016 was as follows:

The Group		2017		2016
	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	134 124	144 981	117 162	130 466
Wheat	41 170	48 694	47 468	45 229
Sunflower	27 689	72 575	29 254	77 429
Soybean	21 931	60 638	22 808	60 367
Barley	-	-	258	233
Other	14 755	4 817	-	11 289
	239 669	331 704	216 950	325 013

46 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	2017		2016	
	Yield in tons per hectare	Price per ton less cost to sell	Yield in tons per hectare	Price per ton less cost to sell
Winter wheat	4,48	1 122	5,21	1 035
Winter rye	-	-	-	-
Winter barley	-	-	-	-
Corn	5,62	1 068	7,21	1 148
Soybean	2,05	2 540	2,92	2 781
Sunflower	2,21	2 614	2,72	2 749

(ii) Biological assets as at 31 December comprised:

Livestock	The Group 2017		The Group 2016	
	Number, heads	Carrying value	Number, heads	Carrying value
Cattle	1 120	6 954	1 161	6 246
Pigs	-	-	134	39
Horses	31	11	36	11
Others	-	3	-	1
	1 151	**6 968**	**1 331**	**6 297**

Livestock at 31 December 2017 comprises SEK 5 619 of non-current biological assets (2016: SEK 5 113).

Plants	The Group 2017		The Group 2016	
	Hectares	Carrying amount	Hectares	Carrying amount
Winter wheat	7 732	15 259	9 170	19 627
Corn	1 695	8 503	3 028	17 472
Winter rye	10	28	-	39
Soybean	-	-	53	235
Others	-	4	-	5
	9 437	**23 795**	**12 251**	**37 378**

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

18. INVENTORIES

The Group	2017	2016
Agricultural produce (at fair value less costs to sell or net realisable value) (i)	99 326	196 309
Work in progress (at cost) (ii)	23 718	18 180
Raw materials (at cost) (iii)	14 635	15 681
Fertilizer, herbicide and pesticide (at cost)	1 643	8 351
Other inventories (at cost)	1 020	1 845
	140 343	240 366

(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 2017 the inventory provided security for bank loans to the amount of 73 867 (2016: 128 634)

19. TRADE AND OTHER RECEIVABLES, OTHER CURRENT ASSETS

Trade and other receivables	The Group 2017	The Group 2016
Trade receivables	5 617	4 404
Loans issued	117	1 483
Less: bad debt allowance	24	27
	5 758	**5 914**
Other current assets		
Deferred expenses	3 945	358
Advances paid	32 390	24 966
VAT recoverable	83	13 839
Other	3 033	894
	39 452	**40 057**

The Group	Provision for bad debts
As at 1 January 2016	28
Charge for the year	-
Used amounts	-
Foreign exchange translation difference	-1
As at 31 December 2016	**27**
Foreign exchange translation difference	-3
As at 31 December 2017	**24**

For detailed information about aging see note 27.

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

20. CASH AND CASH EQUIVALENTS

	The Group 2017	The Group 2016
Cash:		
- on bank accounts	24 991	12 858
- on hand	22	40
	25 012	12 898

21. SHARE CAPITAL

The registered share capital amounts to SEK 11 556 (2016: SEK 11 556) and consists of 7 807 775 shares (2016: 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 2017 loans and borrowings are as follows:

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

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

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 25)	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**

CONVERTIBLE LOANS

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

Convertible loans are registered with Euroclear and carry an annual interest rate of 7%, which is payable on 30 April each year. The loan falls due on 30 April 2018. On 1 April, no holder of convertible requested conversion to shares, therefore the amount of the convertible has been paid.

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 2017 was SEK 39,3million (2016: 38,6 million), and the equity portion was 4.8 million SEK.

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

23. TRADE AND OTHER LIABILITIES, OTHER CURRENT LIABILITIES

The Group	2017	2016
Trade and other liabilities		
Trade liabilities	6 083	3 237
Trade liabilities related parties	230	-
Payroll and related taxes	2 652	3 713
Unused vacations accrual	4 421	3 608
Other	535	25
	13 921	10 583
Other current liabilities		
Value added tax	6 684	93
Advances received	351	128
Income tax payable	1 231	-
Other taxes	1 484	1 306
Other	957	244
	10 707	**1 772**

24. NUMBER OF EMPLOYEES AND EMPLOYEE BENEFITS

Number of employees	2017			2016		
	Women	**Men**	**Total**	**Women**	**Men**	**Total**
Sweden	-	-	-	-	-	-
Ukraine	256	964	1 220	245	914	1 159
	256	964	1 220	245	914	1 159

The management of the Group consists of 100% male.

The Group	2017	2016
Board and senior executives	1 980	1 043
Other employees	33 509	28 573
Pension costs Board and senior executives	359	39
Pension costs other employees	5 783	1 185
Social security costs	1 301	4 795
	42 933	**35 635**

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) 51

25. RELATED PARTY DISCLOSURES

ULTIMATE CONTROLLING PARTY

As at 31 December 2017 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.

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

Entity under common control	2017	2016
Loans and borrowings	**-58 374**	**-63 246**
Of which:		
CA Investment AB	-	-6 265
CA Agroinvest AB	-56 635	-55 327
Ukrainian Investment AB	-1 739	-1 654
Trade accounts recivables	**786**	-
Of which:		
CA Agroinvest AB	786	-
Trade and other payables	**-261**	-
Of which:		
Bioenergetychna Company	-3	-
CA Investment AB	-230	-
Radovenyuk EA	-28	-
Other current liabilities	**-704**	-
Of which:		
Bezsmertniy Viktor Petrovich	-147	-
Cheremha Bogdan Michaylovich	-147	-
Voloshin Anatoliy Fedorovich	-136	-
Kulinich Victor Volodymyrovich	-124	-
Khomiv Oleksandr Mitrofanovich	-147	-
Stasovsky Vasil Ivanovich	-3	-
Loans issued	**458**	-
Of which:		
Voloshin Anatoliy Fedorovich	8	-
Goliy Igor Volodymyrovich	15	-
Zaglada Evgen Volodymyrovich	306	-
Kotlyar Oleksiy Ivanovich	5	-
Opeha Yuriy Grigorovich	111	-
Zlotnikova Larisa Volodymyrivna	13	-

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

Entities under common control	2017	2016
Interest expenses	**-3 539**	**-3 729**
Of which:		
CA Investment AB	-126	-207
CA Agroinvest AB	-3 328	-3 436
Ukrainian Investment AB	-85	-85
Purchase of services	**-278**	**-2 119**
Of which:		
Radovenyuk E.A	-	-302
Radovenyuk A.F	-	-261
UkrEthanol	-268	-1 556
Bioenergetychna Company	-10	-
Purchase of property, plant and equipment	**-709**	-
Of which:		
Bioenergetychna Company	-709	-
Purchase of inventories	**-439**	-
Of which:		
Bioenergetychna Company	-439	-
Sales of property, plant and equipment	**52**	-
Of which:		
Bioenergetychna Company	52	-
Sales of services rendered	**17**	-
Of which:		
Bioenergetychna Company	17	-

COMPENSATION TO KEY MANAGEMENT PERSONNEL

For the year ended 31 December 2017, remuneration paid by the Group to key management personnel was SEK 1 815 (2016: SEK 1 043). Compensation included contractual salaries and related taxes.

Key management personnel consists of six individuals as at 31 December 2017 (2016: six).

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

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 2017 was 50 285 (2016: 41 475).

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

	2017	2016
Up to 12 months	47 096	42 163
1-5 years	144 958	125 969
Over 5 years	67 624	57 461
	259 679	**225 593**

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 2017 and 2016. 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 2017 and 2016.

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.

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

Effect on profit before tax	Change in basis points	The Group
2017		
Change in interest rate (LIBOR)	0	0
Change in interest rate (LIBOR)	0	0
2016		
Change in interest rate (LIBOR)	50	-701
Change in interest rate (LIBOR)	-12	168

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

FOREIGN CURRENCY RISK

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

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

Effect on profit before tax	Change in foreign currency rate	The Group
2017		
Change in USD exchange rate	10,00%	1 769
Change in USD exchange rate	-14,00%	-2 476
2016		
Change in USD exchange rate	18,00%	1 508
Change in USD exchange rate	-40,00%	-3 351

LIQUIDITY RISK

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

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

The Group	Payable on demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
31 December 2017					
Loans and borrowings, principal amount	73 514	-	-	6 217	79 731
Convertible loan	-	-	45 006	-	45 006
Interest payable	3 142	4	3 380	3 831	10 357
Future interests expenses	-	3 210	9 663	16 310	29 182
Trade and other liabilities (Note 23)	13 199	716	7	-	13 921
	89 854	**3 929**	**58 056**	**26 358**	**178 197**
31 December 2016					
Loans and borrowings, principal amount	-	6 852	148 907	6 217	161 976
Convertible loans	-	-	-	47 230	47 230
Interest payable	2 640	-	-	3 395	6 035
Trade and other liabilities (Note 23)	5 637	4 936	-	-	10 573
	8 277	**11 788**	**148 907**	**56 842**	**225 814**

CREDIT RISK

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

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

The Group		Past due, but not impaired					
	Neither past due, nor impaired	**Less than 2 months**	**2-3 months**	**3-6 months**	**6-12 months**	**More than 12 months**	**Total**
31 December 2017							
Trade and other receivables	2 916	-	1 192	341	500	810	5 759
	2 916	-	1 192	341	500	810	5 759
31 December 2016							
Trade and other receivables	-	-	5 914	-	-	-	5 914
	-	-	5 914	-	-	-	5 914

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

CAPITAL MANAGEMENT

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

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

The Group	2017	2016
Loans and borrowings	135 093	205 220
Trade and other liabilities	24 629	12 355
Less cash and cash equivalents	-25 012	-12 898
Net debt	**134 710**	**204 677**
Equity	451 167	440 759
Total equity and net debt	585 877	645 436
Gearing ratio	**23%**	**32%**

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

AGRICULTURAL RISK

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

TAX RISK

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

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

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	
	2017	**2016**	**2017**	**2016**
Loans and receivables				
Cash and cash equivalents	25 012	12 898	25 012	12 898
Trade and other receivables	5 759	5 914	5 759	5 914
Other financial liabilities				
Trade and other liabilities	24 629	12 355	24 629	12 355
Loans and borrowings	135 092	205 220	135 092	205 220

29. PLEDGED ASSETS

The Group	2017	2016
Property, plant and equipment	38 501	69 641
Inventories	73 867	128 634
Escrow account	9 070	10 916
	121 438	**209 191**

30. SURETY

The Group	2017	2016
Escrow account	-	-

31. EVENTS AFTER THE REPORTING DATE

During the first quarter of 2018, 6 000 tons of corn, 5 000 tons of wheat and 13 000 tons of soy, which were kept as security against possible further devaluation of local currency before seeding 2018, were sold by 5600 UAH/t, 5400 UAH/t and 13000 UAH/t.

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

PARENT COMPANY'S STATEMENT OF COMPREHENSIVE INCOME

The Parent Company	Notes	2017	2016
Revenue from sales	2	94 070	-
Cost of sales		-85 317	-
Gross profit		**8 753**	
General and administrative expenses	3	-2 263	-5 254
Operating profit / (loss)		**6 490**	**-5 254**
Finance costs	4	-3 825	-4 063
Finance income	5	2 740	2 151
Foreign exchange gain	6	-6 942	4 649
Profit / (loss) before tax		**-1 537**	**-2 516**
Income tax expense	18	-	-
Profit / (loss) for the year		**-1 537**	**-2 516**
Other comprehensive income		-	-
Total comprehensive income for the year		**-1 537**	**-2 516**

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

PARENT COMPANY'S STATEMENT OF FINANCIAL POSITION

The Parent Company	Notes	2017	2016
Non-current assets			
Shares in subsidiaries	7	256 426	256 426
		256 426	**256 426**
Current assets			
Receivable subsidiary	8	27 942	41 618
Receivable Group	8	786	-
Other current assets	8	121	358
Cash and cash equivalents	9	20 815	11 014
		49 664	**52 991**
Total assets		**306 090**	**309 418**
Equity			
Issued capital	10	11 556	11 556
Other contributed capital		278 295	278 295
Retained earnings		-46 310	-44 772
		243 541	**245 080**
Non-current liabilities			
Loans and borrowings	11	-	500
Loans and borrowings relative parties	11	10 048	57 751
		10 048	**58 251**
Current liabilities			
Loans and borrowings	11	500	-
Loans and borrowings relative parties	11	48 326	5 495
Trade and other liabilities relative parties	12	3 186	-
Trade and other liabilities	12	489	490
Other current liabilities	12	-	102
		52 501	**6 087**
Total liabilities		**62 549**	**64 338**
Total equity and liabilities		**306 090**	**309 418**

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

PARENT COMPANY'S STATEMENT OF CHANGES IN EQUITY

The Parent Company	Issued capital (restricted equity)	Other contributed capital (non-restricted equity)	Retained earnings (non-restricted equity)	Total equity
Balance at 31 December 2015	**11 556**	**278 295**	**-42 071**	**247 780**
Profit for the year	-	-	-2 516	-2 516
Total comprehensive income	-	-	**-2 516**	**-2 516**
Transactions with owners				
Issue of capital	-	-	-	-
Balance at 31 December 2016	**11 556**	**278 295**	**-44 772**	**245 079**
Profit for the year	-	-	-1 537	-1 537
Total comprehensive income	-	-	**-1 537**	**-1 537**
Transactions with owners				
Issue of capital	-	-	-	-
Balance at 31 December 2017	**11 556**	**278 295**	**-46 310**	**243 541**

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

PARENT COMPANY'S STATEMENT OF CASH FLOWS

The Parent Company	2017	2016
Operating activities		
Profit / (loss) before tax	-1 537	-2 516
Non cash adjustments:		
Finance income	-2 740	-2 151
Finance costs	3 825	4 063
Working capital adjustments:		
Change in trade receivables and other current assets	13 128	1 441
Increase in trade and other payables and other current liabilities	2 854	-6 375
	15 529	**-5 539**
Interest received	2 740	2 151
Income tax paid		
Net cash flows from operating activities	**18 269**	**-3 388**
Investing activities		
Purchase of financial assets	-	-
Net cash flows used in investing activities	-	-
Financing activity		
Proceeds from loans and borrowings	-	784
Repayment of borrowings	-4 642	-
Interest paid	-3 825	-4 063
Net cash flows from financing activities	**-8 467**	**-3 279**
Net change in cash and cash equivalents	9 801	-6 667
Foreign exchange difference cash	-	-
Cash and cash equivalents at 1 January	11 014	17 740
Cash and cash equivalents at 31 December	**20 815**	**11 014**

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. REVENUE FROM SALES

The Parent Company	2017	2016
Sales of agricultural produce	93 218	-
Sales of services rendered	852	-
	94 070	-

Revenues from six major customers, each individually exceeding 10% of total revenue, amounted to SEK 83 656 SEK (2016: zero customers – SEK 0).

The Parent Company	2017	
Glenkor Agriculture Ukraine	17 424	19%
Baustoffimportkontor Gmbh	16 275	17%
Baywa Marketing & Trading	13 974	15%
Latexport SIA	13 684	15%
Ample Speed Ltd	11 678	12%
Cargill AT, LLC	10 621	11%
Others	10 414	11%
	94 070	**100%**

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

3. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The Parent Company	2017	2016
General and administrative expenses		
Payroll and related taxes	-	-
Professional services (i)	2 263	5 254
Other expenses	-	-
	2 263	**5 254**

Audit fees for the parent company and the Group in year 2017 and 2016 relates to fees payable to Ernst & Young. Audit fees included in the general and administrative costs are as follows:

The Parent Company	2017	2016
Audit assignment fees	640	786
	640	**786**

4. FINANCE COSTS

The Parent Company	2017	2016
Interest on loans and borrowings to related parties	3 539	4 063
Interest others	282	-
Bank fees	4	-
	3 825	**4 063**

5. FINANCE INCOME

The Parent Company	2017	2016
Interest Income related parties	1778	2 151
Other	961	-
	2 740	**2 151**

6. FOREIGN EXCHANGE GAIN/LOSS

Concern	2017	2016
Foreign exchange difference on loans within the group	-1 899	3 467
Foreign exchange difference cash	-5 043	1 182
	-6 942	**4 649**

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

7. SHARES IN SUBSIDIARIES

The Parent Company	
As at 1 January 2016	256 367
Investments in subsidiaries	59
Liquidation subsidiaries	-
As at 31 December 2016 (i)	**256 426**
Investments in subsidiaries	-
Liquidation subsidiaries	-
As at 31 December 2017 (i)	**256 426**

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

			2017		2016	
Company	**Location**	**Corporate id**	**Ownership SEK**	**Ownership %**	**Ownership SEK**	**Ownership %**
Barishevskya Grain Company LLC	Baryshevka, Ukraina	2886518	256 367	100%	256 367	100%
Khmelnitska Grain Company LLC	Yarmolenci, Ukraina	39843554	59	100%	59	100%
			256 426		**256 426**	

8. TRADE AND OTHER RECEIVABLES, OTHER CURRENT ASSETS

The Parent Company	2017	2016
Trade and other receivables		
Trade receivables due from related party (Note 14)	28 317	41 618
Trade Receivables	411	
	28 728	**41 618**
Other current assets		
Advances paid	121	355
	121	**355**

For detailed information about aging see note 15.

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

9. CASH AND CASH EQUIVALENTS

The Parent Company	2017	2016
Cash:		
- on bank accounts	11 745	98
- escrow account	9 070	10 916
	20 815	**11 014**

10. SHARE CAPITAL

The registered share capital amounts to SEK 11 556 (2016: SEK 11 556) and consists of 7 807 775 shares (2016: 7 807 775 shares). BZK Grain Alliance AB only has one class of shares carrying equal voting power.

11. LOANS AND BORROWINGS

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

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

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

The Parent Company	Currency	Interest	Maturity 2017 Current portion	Maturity 2018 – 2020 Non-current portion	Total
Related party (Note 14)	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**

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)

12. TRADE AND OTHER LIABILITIES, OTHER CURRENT LIABILITIES

The Parent Company	2017	2016
Trade and other liabilities		
Trade liabilities related parties	3 186	-
Trade liabilities	9	10
Payroll and related taxes	-	-
Other	480	480
	3 675	**490**
Other current liabilities		
Other	-	110
		110

13. NUMBER OF EMPLOYEES AND EMPLOYEE BENEFITS

Number of employees	2017			2016		
	Women	**Men**	**Total**	**Women**	**Men**	**Total**
Sweden	-	-	-	-	-	-
Ukraine	-	-	-	-	-	-

The Parent Company	2017	2016
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)

14. RELATED PARTY DISCLOSURES

ULTIMATE CONTROLLING PARTY

As at 31 December 2017 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:

	2017	2016
Entity under common control		
Loans and borrowings (Note 11)	-58 374	-63 246
Of which:		
CA Investment AB	-	-6 265
CA Agroinvest AB	-56 635	-55 327
Ukrainian Investment AB	-1 739	-1 654
Subsidiary		
Trade and other receivables	**27 942**	**41 618**
– Baryshevski Grain Company LLC	27 942	41 618
Trade and other receivables	**786**	-
CA Agroinvest AB	786	-
Trade and other payables	**-230**	-
CA Investment AB	-230	-

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

	2017	2016
Purchase of services	-268	-1 556
Of which:		
UkrEthanol	-268	-1 556
Interest expenses	-3 539	-3 729
Of which:		
CA Investment AB	-126	-207
CA Agroinvest AB	-3 328	-3 436
Ukrainian Investment AB	-85	-85

COMPENSATION TO KEY MANAGEMENT PERSONNEL

For the year ended 31 December 2017, remuneration paid to key management personnel is SEK 0 (2016: 0). Compensation comprised the contractual salary and related taxes.

There are no key management personnel as of 31 December 2017 (2016: zero).

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

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

MARKET RISK

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and currency risk. Financial instruments exposed to market risk include loans and borrowings, deposits, accounts receivable, accounts payable and finance leases.
The sensitivity analyses in the following sections relate to the position as at 31 December 2017 and 2016. 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 2017 and 2016.

INTEREST RATE RISK

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

		Effect on profit before tax
	Change in basis points	The Parent Company
2017		
Change in interest rate (LIBOR)	60	-37
Change in interest rate (LIBOR)	-8	5
2016		
Change in interest rate (LIBOR)	50	-59
Change in interest rate (LIBOR)	-12	14

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
2017		
Change in USD exchange rate	15	6 523
Change in USD exchange rate	-35	-15 220
2016		
Change in USD exchange rate	18	9 449
Change in USD exchange rate	-40	-20 999

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 2017					
Loans and borrowings, principal amount	-	-	45 447	6 217	51 664
Interest payable	-	-	3 380	3 831	7 211
Trade and other liabilities (Note 12)	-	3 675			3 675
		3 675	**48 827**	**10 048**	**62 550**
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 12)	-	480	-	-	480
	-	**480**	**5 495**	**58 251**	**64 226**

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 8. 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 2 months**	**2-3 months**	**3-4 months**	**4-12 months**	**More than 12 months**	**Total**
31 December 2017							
Receivable subsidiary	-	-	8 697	-	6 997	11 836	27 531
Trade and other receivables	-	-	411	-	-	786	1 197
			9 108		**6 997**	**12 066**	**28 728**
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**

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	2017	2016
Loans and borrowings	58 874	63 746
Trade and other liabilities	3 675	592
Less cash and cash equivalents	-20 815	-11 014
Net debt	41 734	53 222
Equity	243 541	245 080
Total equity and net debt	285 275	298 302
Gearing ratio	**15%**	**18%**

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

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The Parent Company	Carrying amount		Fair value	
	2017	**2016**	**2017**	**2016**
Loans and receivables				
Cash and short-term deposits	20 815	11 014	20 815	11 014
Trade and other receivables	28 849	41 977	28 849	41 977
Other financial liabilities				
Trade and other payables	3 675	592	3 675	592
Loans and borrowings	58 874	63 746	58 874	63 746

17. PLEDGED ASSETS AND SURETY

The Parent Company	2017	2016
Pledged assets		
Escrow account	9 070	10 916
	9 070	**10 916**
Surety		
Surety for subsidairies (for debt to JSC UkrSibbank)	82 322	90 971
Surety for subsidairies (for debt to Credit Agricole Bank)	58 780	-
Escrow account	-	-
	141 102	**90 971**

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

18. INCOME TAX

The Parent Company: As at 31 December 2017, the tax loss carried forward 39 538 (2016: SEK 38 001). The Company has not recognized deferred tax assets as deficit.

19. EVENTS AFTER THE REPORTING DATE

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

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