GRAIN ALLIANCE

ANNUAL REPORT 2018

BZK GRAIN ALLIANCE AB
CORPORATE IDENTITY NUMBER: 556754-1056

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

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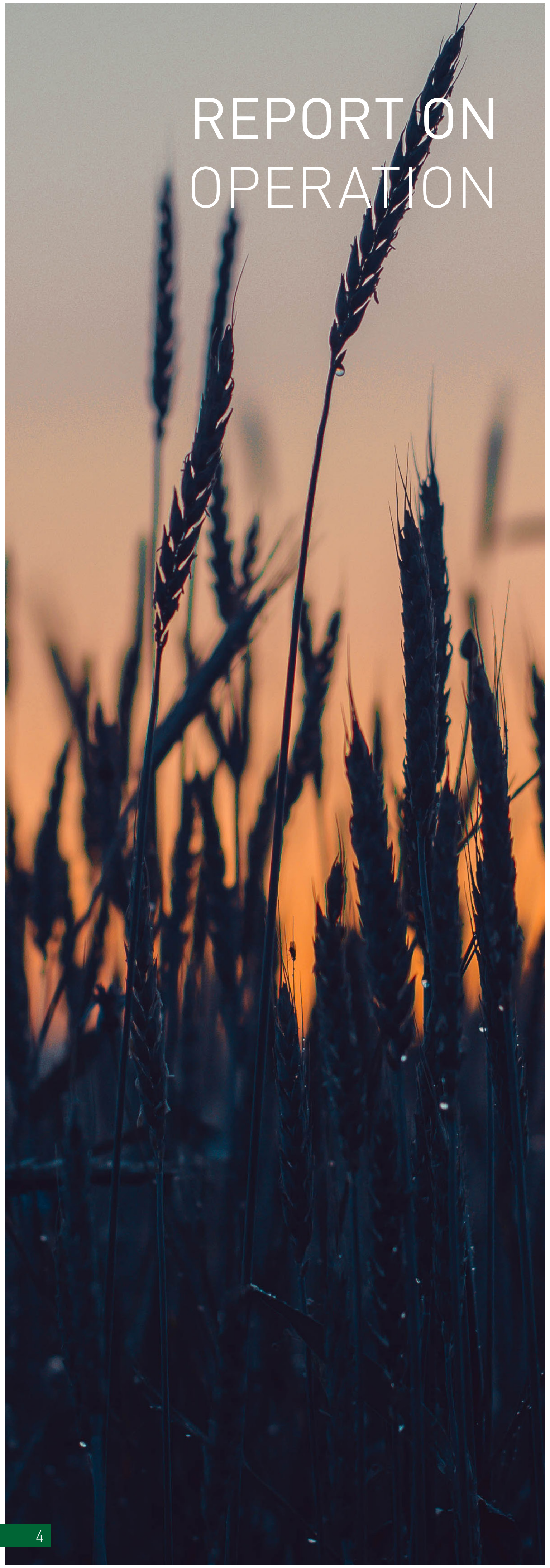


REPORT ON OPERATION

ABOUT GRAIN ALLIANCE

Grain Alliance is one of the leading agricultural companies in Ukraine. The company cultivates around 54,000 hectares of arable land in central Ukraine. The foundation for BZK Grain Alliance AB was laid in 1998. At that time, the company was primarily a supplier of agricultural services, but during the summer of 1998, two thousand hectares were seeded. The cultivated area increased gradually and in 2008 amounted to 27,000 hectares. In May 2008, the founder of the company, the American entrepreneur Alex Oronov, together with a group of Swedish investors led by the Claesson & Anderzén group, spearheaded and established a new company structure - Grain Alliance. Under this new corporate structure, the land bank has gradually increased and the company has become more profitable, sustainable and straightforward.

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

OPERATIONS AND LOCATIONS

Grain Alliance lands are located in the centre of the Ukrainian black earth belt. The company operates in four districts in Ukraine: Kyiv, Poltava, Cherkasy and Chernihiv districts. The agricultural operations are divided into four regions (clusters), where each region cultivates between 8,000 and 18,000 hectares. Each of the regions is fully equipped with modern agricultural equipment and the short distances between the regions enable the efficient utilization of machinery. In order to allow efficient handling and storage of the produced grain, the company has five drying facilities, three of which have a direct rail connection.

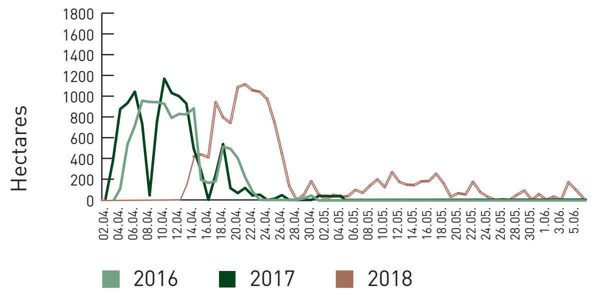
Efficiency and control are lead in Grain Alliance's strategy and therefore the company tends land within a limited geographical area. The radius of Grain Alliance's core area (the area farmed) is about 80 kilometres. During the past years, the company has gradually expanded and developed 15,000 ha in the Chernihiv region, north of Kyiv. Cultivating land in a limited geographical area allows a more efficient use of resources as transport for both equipment and crops is shorter. The simple fact that the lands are within an hour's drive from the main office also strengthens the control. Farming is an activity that requires hands-on monitoring and control. Grain Alliance operations are further supported by the five central grain handling facilities the company has either built or renovated completely. Having access to own in-house storage and drying not only increases the speed of the harvest but also mitigates logistic risks and gives the Company the opportunity to sell the crops when prices are most attractive. Due to land bank expansion in Chernihiv, last year Grain Alliance started development and launched the drying and storage facility there.

SEEDING 2018

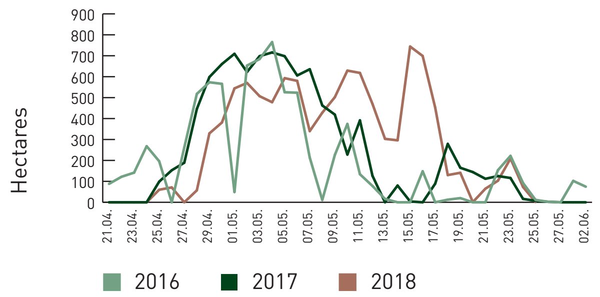
Grain Alliance has faced the major challenge in sowing campaign 2018 – late spring with snow still in fields till mid-April. The weather conditions during April were extremely cold, what squeezed the timing of seeding campaign. However, timely purchase of two Austrian high performing multi-operational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

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

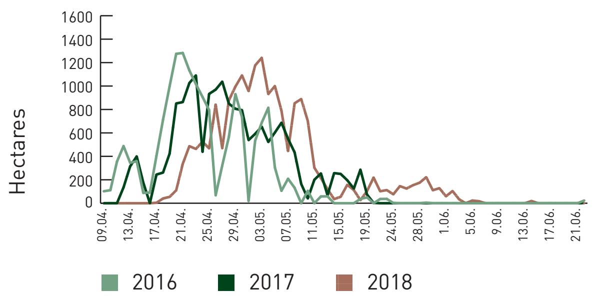
SUNFLOWER SEEDING 2016 – 2018



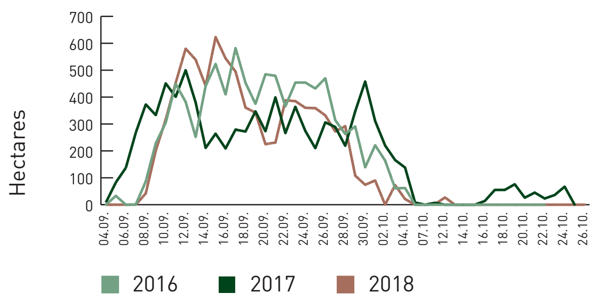
SOY SEEDING 2016 – 2018



CORN SEEDING 2016 – 2018

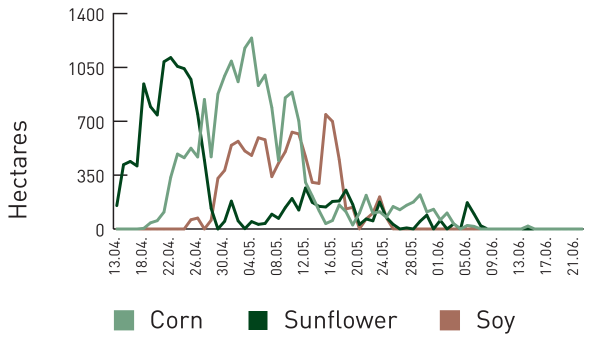


WINTER WHEAT SEEDING 2016 – 2018



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

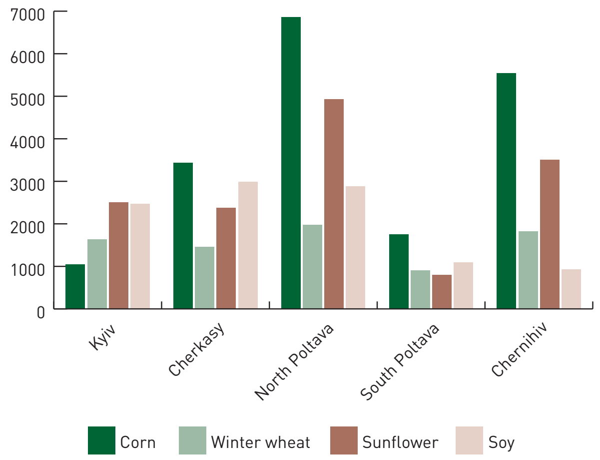
SEEDING PER CROP AND DAY 2018



ALLOCATION OF CROPS

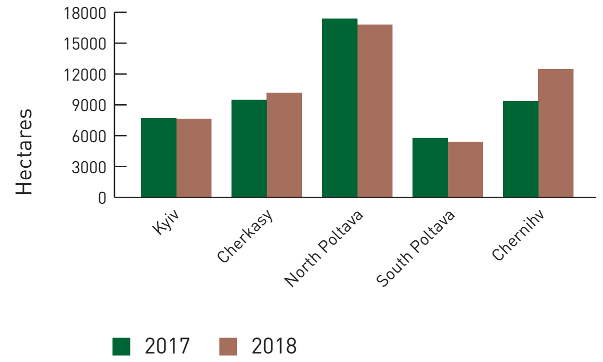
The harvested area increased by 700 hectares (+1.3%) compared with 2017. Poltava and Chernihiv clusters were mostly focused on production of corn and sunflower. The Company has increased the share of sunflower to 14 000 ha (+26% y/y) and soy to 10 300 ha (+8% y/y). The Company continued improvement of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

ALLOCATION OF CROPS PER REGION, 2018

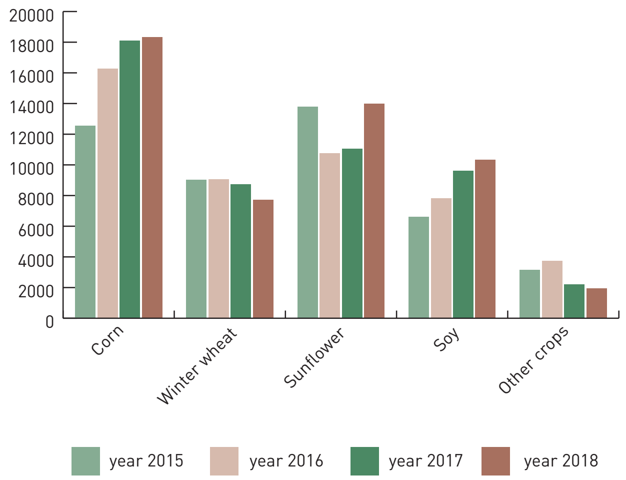


Grain Alliance continued to increase the cultivated area, mainly in the Chernihiv region. The expansion there constituted around 2000 hectares via signing new land leases. In other regions, nearby landowners had fewer opportunities to choose to lease out their land to Grain Alliance and expansion was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

SEEDED HECTARES PER REGION 2018 AND 2017



DYNAMIC OF HARVESTED HA 2015 – 2018



HARVEST 2018

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

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

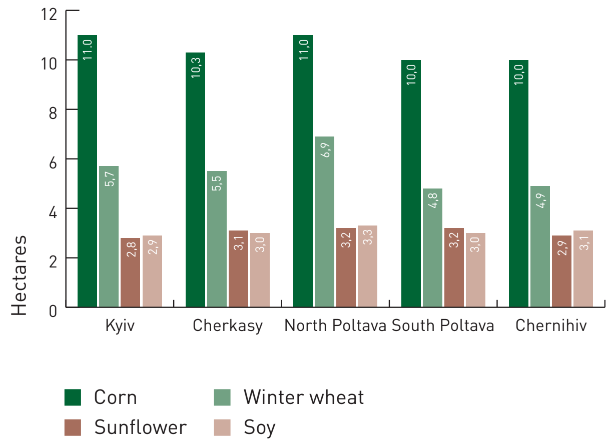
Soybean was seeded in time – between April 25 and May 23, thus giving the plants the 111-119 days of growth required to reach full potential. Seeds were treated with micro- and macro-fertilizers and plants were fed with micro-elements in due time of their vegetation.

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

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

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

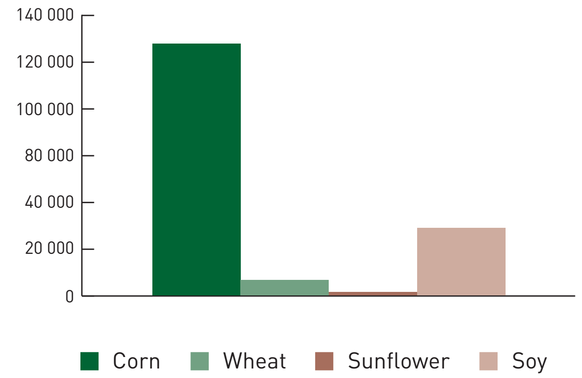
BUNKER YIELDS PER HECTARE, TONS/HA, 2018



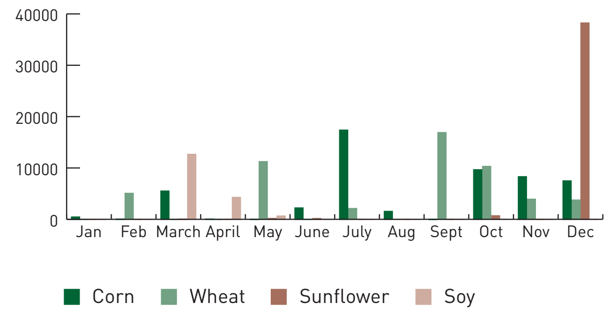
CROP PRICES AND SALES 2018

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

STOCK, TONS AS OF 2018-12-31



SALES, TONS 2018



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

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

DIRECTORS' REPORT

RESULT/SALES

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

CURRENCY

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

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

INVESTMENTS DURING 2018

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

STORAGE AND DRYING CAPACITY 2018-12-31

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

EMPLOYEES

The average number of employees in 2018 was 1213, divided between 252 women and 961 men. However, it is important to keep in mind that the number of employees depends on the season. The vast majority of employees are seasonal employees who assist during seeding or harvest.

OWNERSHIP

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

ENVIRONMENTAL ASPECTS AND SUSTAINABILITY

Sustainability and caring for the environment is a central question for Grain Alliance. The Company follows a balanced crop rotation plan, which aims to prevent exhaustion of the soil and minimize negative environmental effects. With this objective the Company extended soybeans production in 2018 which enriches soil with nitrogen and organic leftovers. The crop production approach is based on scientific measurements of the soils and modern production methods. Since 2008 Grain Alliance has carried out annual soil analysis on the cultivated fields. Our laboratory was further strengthened with additional tools in 2018 allowing for analysis of plants development in fields and diagnostics of diseases. The information from the analysis is the basis for the overall environmental strategy that aims to avoid exhaustion, harmful soil compaction and other adverse environmental effects.

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

HUMAN RESOURCE POLICY

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

RISKS

The Group's agricultural operations are conducted entirely in Ukraine, which can be classed as an economy in transition. A transition economy is characterized by a limited availability of capital, high inflation, unbalanced trade balance and strained public finances. The operations as such are also associated to risks in the form of volatile world prices, climate change and other external influences on the soil and crops. The fact that operations are conducted in Ukraine also entails elevated economic and political risks compared with, for example, Sweden. In 2018, the Ukrainian political and economic situation demonstrated slight improvements. The political situation remains unchanged and continued military conflict in the eastern parts of Ukraine has affected the operations and financial result. An eventual further deterioration of the political and macroeconomic situation in Ukraine may affect the subsidiaries' situation negatively. Relations between Ukraine and the Russian Federation are very tense and also constitute an additional risk for the company.

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

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

IMPORTANT EVENTS DURING THE REPORTING PERIOD

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

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

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

PLANS FOR THE FUTURE

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

KEY RATIOS

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

OUTLINE OF THE PARENT COMPANY RESULTS

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

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

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of SEK

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of SEK

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of SEK

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

CONSOLIDATED STATEMENT OF CASH FLOW

In thousands of SEK

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

NOTES TO THE PARENT COMPANY'S ANNUAL REPORT

1. CORPORATE INFORMATION

BZK Grain Alliance AB (hereinafter referred as the "Parent Company" or the "Company", registration number 556754-1056) was incorporated in Sweden on 19 March 2008. The registered office of the Company is Stockholm (Humlegårdsgatan 19A, 114 46, Stockholm) in Sweden. The company is a majority-owned subsidiary of Agro Ukraina AB (corporate id.number 559040-4157, with registered office in Kalmar). Agro Ukraina AB is part of a group where CA Investment AB (corporate id.number 556794-8459, with registered office in Kalmar) prepares its consolidated financial statements for the smallest group and where Claesson & Anderzén AB (corporate id.number 556395-3701, with registered office in Kalmar) prepares consolidated accounts for the largest Group.

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

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

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

1.1 OPERATING ENVIRONMENT

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

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

2. BASIS OF PREPARATION

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

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

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

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

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

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

2.1 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2018.

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CLASSIFICATION

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

BUSINESS COMBINATIONS

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

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

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

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

FUNCTIONAL AND REPORTING CURRENCY

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

These financial statements are presented in SEK. The assets and liabilities of foreign subsidiaries are translated into SEK at the end of each year and profit and loss items and cash flows of the foreign subsidiaries are translated at exchange rates that approximates the exchange rates at the dates of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit and loss in the year the item is derecognised.

CONSTRUCTION IN PROGRESS

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

BORROWING COSTS

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

BIOLOGICAL ASSETS AND AGRICULTURAL PRODUCE
VALUED AT LEVEL 3

Plants

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

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

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

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

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

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

Livestock

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

INVENTORIES OTHER THAN BIOLOGICAL ASSETS AND AGRICULTURAL PRODUCE

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

MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

CASH AND SHORT-TERM DEPOSITS

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

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

PROVISIONS

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

PENSION

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

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

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

CONTINGENT ASSETS AND LIABILITIES

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

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

LEASES

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

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

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

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

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

GOVERNMENT GRANTS

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

TAXATION

Ukrainian fixed agricultural tax
According to effective Ukrainian tax legislation, the Group's entities, as involved in production, processing and sale of agricultural products may opt for paying simplified tax (called fixed agricultural tax in past) in lieu of income tax, land tax and some other local taxes if the revenues from sale of their own agricultural products constitute not less than 75% of their total (gross) revenues. The unified tax is assessed at 0.95% on the deemed value of the land plots owned or leased by the entity (as determined by the relevant State authorities). The rate of tax for the Polissia region and the mountain zones is set at 0.57%. As at 31 December 2018, all Baryshevska Grain Company LLC as a subsidiary was elected to pay the unified tax. The unified tax is in the annual report defined as costs of sales.

Deferred tax / temporary differences
The Group does not recognize any deferred tax on the deficits in Sweden since there is uncertainty to what extent these can be used, as the company has historically reported a loss. Nor is there any temporary differences in the Ukrainian subsidiaries when it does not recognize any variable tax expense based on the results, see writing above.

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

STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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

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

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

4. SIGNIFICANT ACCOUNTING JUDGMENT, ESTIMATES AND ASSUMPTIONS

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

JUDGMENTS

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

CLASSIFICATION OF LEASE AGREEMENTS

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

ESTIMATES AND ASSUMPTIONS

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

FAIR VALUE OF BIOLOGICAL ASSETS

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

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

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

WEATHER

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

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

5. REVENUE FROM SALES

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

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

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

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

6. COST OF SALES

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

The agricultural produce sold by the Group is measured based on the fair value of the respective agricultural produce sold less estimated cost to sell at the time of harvesting and taking into account subsequent write downs to net realisable value, if any. The depreciation above, together with the depreciation in note 8, represents the Company's total depreciation.

7. OTHER OPERATING INCOME

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

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

8. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

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

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

The Group	2018	2017
Audit assignment fees	871	641
	871	641

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

9. OTHER OPERATING EXPENSES

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

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

10. FINANCE COST

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

11. FINANCE INCOME

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

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

12. DEPRECIATION

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

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

13. FOREIGN EXCHANGE GAIN/LOSS

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

14. INCOME TAX

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

15. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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16. OTHER NON-CURRENT ASSETS

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

17. BIOLOGICAL ASSETS

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

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

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

Crops harvested during the year are initially recognised at fair value less costs to sell at the time of harvest. For determination of fair value of agricultural produce, the domestic crop prices, where supported by management plans, less costs to sell at the time of harvest are used. Crop production for the years ended 31 December 2018 and 2017 was as follows:

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

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

The Group	2018		2017	
	Yield in tons per hectare	Price per ton less cost to sell	Yield in tons per hectare	Price per ton less cost to sell
Winter wheat	5,7	1 490	4,48	1 122
Corn	10,6	1 296	5,62	1 068
Soybean	3,1	2 769	2,05	2 540
Sunflower	3,0	2 821	2,21	2 614

(iii) Biological assets as at 31 December comprised:

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

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

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

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18. INVENTORIES

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

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

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

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

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

19. TRADE AND OTHER RECEIVABLES, OTHER CURRENT ASSETS

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

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

For detailed information about aging see note 27.

20. CASH AND CASH EQUIVALENTS

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

21. SHARE CAPITAL

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

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22. LOANS AND BORROWINGS

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

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

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

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

CONVERTIBLE LOANS

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

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

23 TRADE AND OTHER LIABILITIES, OTHER CURRENT LIABILITIES

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

24. NUMBER OF EMPLOYEES AND EMPLOYEE BENEFITS

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

The management of the Group consists of 100% male.

EMPLOYEE BENEFITS

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

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

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25. RELATED PARTY DISCLOSURES

ULTIMATE CONTROLLING PARTY

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

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

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

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

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

COMPENSATION TO KEY MANAGEMENT PERSONNEL

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

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

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26. CONTINGENCIES AND CONTRACTUAL COMMITMENTS

TAXATION

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

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

OPERATING LEASE COMMITMENTS OF THE GROUP

The Group has entered into, or acquired, commercial lease agreements for land. The amount of lease payments is subject to renegotiation on an annual basis. At the end of each of the lease terms, the lessee has the right to renew the lease agreements. Total costs for commercial lease agreements for land during 2018 was 61 633 (2017: 50 285).

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

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

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

MARKET RISK

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

The sensitivity analyses in the following sections relate to the position as at 31 December 2018 and 2017. They have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant. In calculation of sensitivity analysis, the sensitivity of the relevant profit and loss item is the effect of the assumed changes in the respective market risks. This is based on the financial assets and financial liabilities held on 31 December 2018 and 2017.

INTEREST RATE RISK

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

Effect on profit before tax	Change in basis points	The Group
2018		
Change in interest rate (LIBOR)	50	-990
Change in interest rate (LIBOR)	-15	297
2017		
Change in interest rate (LIBOR)	0	0
Change in interest rate (LIBOR)	0	0

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

FOREIGN CURRENCY RISK

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

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

Effect on profit before tax	Change in foreign currency rate	The Group
2018		
Change in USD exchange rate	8,00%	-6 149
Change in USD exchange rate	-8,00%	6 149
2017		
Change in USD exchange rate	10,00%	1 769
Change in USD exchange rate	-14,00%	-2 476

LIQUIDITY RISK

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

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

CREDIT RISK

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

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

The Group		Past due, but not impaired						
	Neither past due, nor impaired	<1 month	1-2 months	2-3 months	3-6 months	6-12 months	More than 12 months	Total
31 December 2018								
Trade and other receivables	59 236	2 365	-	2 546	202	255	634	65 239
	59 236	2 365	-	2 546	202	255	634	65 239
31 December 2017								
Trade and other receivables	2 916	-	-	1 192	341	500	810	5 759
	2 916	-	-	1 192	341	500	810	5 759

CAPITAL MANAGEMENT

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

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

The Group	2018	2017
Loans and borrowings	281 624	135 093
Trade and other liabilities	30 353	24 629
Less cash and cash equivalents	-34 097	-25 012
Net debt	**277 880**	**134 710**
Equity	581 310	451 167
Total equity and net debt	859 190	585 877
Gearing ratio	**32%**	**23%**

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

AGRICULTURAL RISK

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

TAX RISK

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

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

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

29. PLEDGED ASSETS

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

30. EVENTS AFTER THE REPORTING DATE

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

PARENT COMPANY'S STATEMENT OF COMPREHENSIVE INCOME

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

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Parent Company's statement of comprehensive income (in thousands of SEK) 47

PARENT COMPANY'S STATEMENT OF FINANCIAL POSITION

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

PARENT COMPANY'S STATEMENT OF CHANGES IN EQUITY

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

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

PARENT COMPANY'S STATEMENT OF CASH FLOWS

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING PRINCIPLES OF THE PARENT COMPANY

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

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

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

2. REVENUE FROM SALES

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

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

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

50 Parent Company's statement of cash flows (in thousands of SEK)
Notes to the Parent Company's financial statement (in thousands of SEK) 51

3. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

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

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

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

4. FINANCE COSTS

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

5. FINANCE INCOME

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

6. FOREIGN EXCHANGE GAIN/LOSS

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

7. SHARES IN SUBSIDIARIES

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

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

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

8. TRADE AND OTHER RECEIVABLES, OTHER CURRENT ASSETS

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

For detailed information about aging see note 15.

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

9. CASH AND CASH EQUIVALENTS

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

10. SHARE CAPITAL

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

11. LOANS AND BORROWINGS

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

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

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

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

CONVERTIBLE LOANS

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

Convertible loans are registered with Euroclear and carry an annual interest rate of 7%, which is payable on 30 April each year. The loan falls due on 30 April 2018. As of 1 April 2018 no conversion took place and the principle amount was paid to the holders.

12. TRADE AND OTHER LIABILITIES, OTHER CURRENT LIABILITIES

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

13. NUMBER OF EMPLOYEES AND EMPLOYEE BENEFITS

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

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

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

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Notes to the Parent Company's financial statement (in thousands of SEK) 55

14. RELATED PARTY DISCLOSURES

ULTIMATE CONTROLLING PARTY

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

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

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

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

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

COMPENSATION TO KEY MANAGEMENT PERSONNEL

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

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

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

MARKET RISK

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

The sensitivity analyses in the following sections relate to the position as at 31 December 2018 and 2017. They have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant. In calculation of sensitivity analysis, the sensitivity of the relevant profit and loss item is the effect of the assumed changes in the respective market risks. This is based on the financial assets and financial liabilities held on 31 December 2018 and 2017.

INTEREST RATE RISK

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

		Effect on profit before tax
	Change in basis points	The Parent Company
2018		
Change in interest rate (LIBOR)	50	-236
Change in interest rate (LIBOR)	-15	71
2017		
Change in interest rate (LIBOR)	60	-37
Change in interest rate (LIBOR)	-8	5

FOREIGN CURRENCY RISK

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

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	Change in foreign currency rate %	Effect on profit before tax The Parent Company
2018		
Change in USD exchange rate	8	3 979
Change in USD exchange rate	-8	-3 979
Change in EUR exchange rate	10	710
Change in EUR exchange rate	-10	-710
2017		
Change in USD exchange rate	15	6 523
Change in USD exchange rate	-35	-15 220
Change in EUR exchange rate	-	-
Change in EUR exchange rate	-	-

LIQUIDITY RISK

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

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

CREDIT RISK

Receivable balances are monitored on an ongoing basis and, therefore, the exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in Note 8. The ageing analysis of the trade and other receivables is as follows:

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

CAPITAL MANAGEMENT

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

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

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

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

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16. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The Parent Company	Carrying amount		Fair value	
	2018	2017	2018	2017
Financial assets valued at amortized cost				
Cash and short-term deposits	28 774	20 815	28 774	20 815
Trade and other receivables	34 666	28 849	34 666	28 849
Financial assets valued at amortized cost				
Trade and other payables	10 689	3 675	10 689	3 675
Loans and borrowings	51 408	58 874	51 408	58 874

17. PLEDGED ASSETS AND SURETY

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

18. INCOME TAX

THE PARENT COMPANY

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

19. EVENTS AFTER THE REPORTING DATE

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

60 Notes to the Parent Company's financial statement (in thousands of SEK) 61

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