

Linus Agro A/S

Vinkel Allé 1, DK-9000 Aalborg

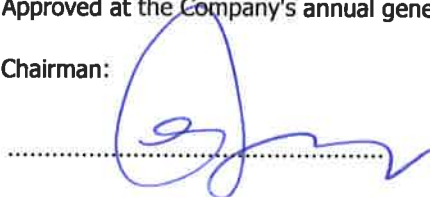
CVR no. 17 68 90 37



Annual report 2015/16

Approved at the Company's annual general meeting on 13 September 2016

Chairman:



**Building a better
working world**



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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Linas Agro A/S for the financial year 1 July 2015 - 30 June 2016.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 30 June 2016 and of the results of the Company's operations for the financial year 1 July 2015 - 30 June 2016.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Aalborg, 13 September 2016

Executive Board:



Henrik Klindt Petersen

Board of Directors:



Darius Zubas
Chairman

Henrik Klindt Petersen

Vytautas Sidlauskas

Independent auditors' report

To the shareholders of Linus Agro A/S

Independent auditors' report on the financial statements

We have audited the financial statements of Linus Agro A/S for the financial year 1 July 2015 - 30 June 2016. The financial statements comprise income statement, balance sheet, statement of changes in equity and notes including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 30 June 2016 and of the results of its operations for the financial year 1 July 2015 - 30 June 2016 in accordance with the Danish Financial Statements Act.

Emphasis of matter regarding the financial statements

Without qualifying our opinion, we draw attention to note 2 to the financial statements, which describes uncertainty related to the valuation of trade receivables, deferred tax asset and the Company's computation of taxable income for the years 2007-09.



Independent auditors' report

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Aalborg, 13 September 2016
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

A handwritten signature in blue ink, appearing to read 'Niels David Nielsen'.

Niels David Nielsen
State Authorised
Public Accountant

A handwritten signature in blue ink, appearing to read 'Jon Midtgaard'.

Jon Midtgaard
State Authorised
Public Accountant

Management's review

Company details

Name	Linus Agro A/S
Address, zipcode, city	Vinkel Allé 1, DK-9000 Aalborg
CVR no.	17 68 90 37
Established	1994
Registered office	Aalborg
Financial year	1 July 2015 - 30 June 2016
Telephone	+45 98 84 30 70
Board of Directors	Darius Zubas, chairman Henrik Klindt Petersen Vytautas Sidlauskas
Executive Board	Henrik Klindt Petersen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Vestre Havnepromenade 1A, P.O. Box 710, DK-9100 Aalborg

Management's review

Operating review

Principal activities of the Company

The Company has three main activities:

Representation for the parent company, AB Linas Agro, Lithuania, and the affiliated undertaking, SIA Linas Agro, Latvia.

Commercial agent for group-related company, UAB Mestilla, Lithuania, for which we buy and sell at a fixed profit.

Common wholesale trade with grain and foodstuffs, seed and vegetable oil between third party companies.

The activities are performed within trade with grain and foodstuffs, oil seeds and vegetable oils between the former USSR and Central Europe to Western Europe, Africa and the Middle East.

Development in activities and financial position

Net gross profit represents DKK 9.9 million and developments in the financial year has been satisfactory. During the year we worked with a reasonable crop in the Baltics, which we have distributed successfully to international markets.

Gross profit for 2014/15 totalled DKK 9.7 million. In 2015/16, as well as in 2014/15, the company has solely been actively trading in two of our main activities, as there has been no activity in the common wholesale trade with third party companies.

Profit for the year

The profit for the year before tax totalled DKK 2,540,597, and after tax DKK 1,972,597. Proposed dividend to the shareholders of the Company amounts to DKK 3,000,000.

The Company's equity now totals DKK 10,107,170.

Uncertainties related to recognition and measurement

Uncertainties related to recognition and measurement is described in note 2 to the financial statements.

Outlook

The Company expects increased activity and an improved positive result in fiscal year 2016/17.

Particular risks

General risks

The main part of the business is the dispersion of commodities at agency level, as the general risk level of the Company is relatively low.

Currency risks

Following the Company's international activities, profit/loss, cash flows and equity are affected by exchange rate and interest rate movements regarding several currencies. It is company policy to hedge commercial currency risks. Hedging is primarily effected by means of forward exchange transactions and currency options in order to hedge forecast revenue and purchases. The Company does not engage in any speculative currency transactions.

Currency risks are considered low-level risks.

Management's review

Interest rate risks

Wholesale trade in grain and foodstuffs from third party companies will be subject to interest rate risks, but more often than not the financing periods are very short.

In order to hedge interest rate risks, the current interest rate level is assessed on a regular basis and compared with expectations of future interest rate development as well as the possibility of entering into interest rate swaps.

Financial statements for the period 1 July - 30 June

Income statement

Note	DKK	2015/16	2014/15
	Gross profit	9,884,499	9,671,031
3	Staff costs	-7,348,499	-6,353,904
6	Depreciation and impairment loss of property, plant and equipment	-46,660	-65,391
	Ordinary operating profit	2,489,340	3,251,736
4	Financial income	65,639	186,006
	Financial expenses	-14,382	-19,738
	Profit before tax	2,540,597	3,418,004
5	Tax on profit for the year	-568,000	-998,835
	Profit for the year	1,972,597	2,419,169
	Proposed profit appropriation		
	Proposed dividends	3,000,000	7,500,000
	Retained earnings	-1,027,403	-5,080,831
		1,972,597	2,419,169

Financial statements for the period 1 July - 30 June

Balance sheet

Note	DKK	2015/16	2014/15
	ASSETS		
	Non-current assets		
	Property, plant and equipment		
6	Fixtures and fittings, other plant and equipment	38,658	85,318
		<u>38,658</u>	<u>85,318</u>
	Investments		
	Other receivables	169,744	164,800
		<u>169,744</u>	<u>164,800</u>
	Total non-current assets	<u>208,402</u>	<u>250,118</u>
	Receivables		
	Trade receivables	2,545,133	3,483,424
	Amounts owed by group enterprises	2,811,400	2,755,436
	Loan to group enterprises	14,581,028	0
	VAT receivable	1,021,949	5,908,419
	Other receivables	1,531,441	1,539,748
7	Deferred tax asset	550,000	1,118,000
	Prepayments and accrued income	102,830	100,358
		<u>23,143,781</u>	<u>14,905,385</u>
	Cash at bank and in hand	<u>2,663,157</u>	<u>5,526,561</u>
	Total current assets	<u>25,806,938</u>	<u>20,431,946</u>
	TOTAL ASSETS	<u>26,015,340</u>	<u>20,682,064</u>
	EQUITY AND LIABILITIES		
	Equity		
8	Share capital	500,001	500,001
	Retained earnings	6,607,169	7,634,572
	Proposed dividend for the year	3,000,000	7,500,000
	Total equity	<u>10,107,170</u>	<u>15,634,573</u>
	Current liabilities		
	Trade payables	102,685	104,362
	Amounts owed to group enterprises	11,130,705	56,652
	Other payables	4,674,780	4,886,477
		<u>15,908,170</u>	<u>5,047,491</u>
	Total liabilities	<u>15,908,170</u>	<u>5,047,491</u>
	TOTAL EQUITY AND LIABILITIES	<u>26,015,340</u>	<u>20,682,064</u>

- 1 Accounting policies
- 2 Uncertainties regarding recognition and measurement
- 9 Contingent liabilities and contingencies, etc.
- 10 Related party disclosures

Financial statements for the period 1 July - 30 June

Statement of changes in equity

DKK	Share capital	Retained earnings	Proposed dividend for the year	Total
Equity at 1 July 2015	500,001	7,634,572	7,500,000	15,634,573
Paid dividend	0	0	-7,500,000	-7,500,000
Transferred, see profit appropriation	0	-1,027,403	3,000,000	1,972,597
Equity at 30 June 2016	500,001	6,607,169	3,000,000	10,107,170

Specification of last 5 years changes in equity:

	2015/16	2014/15	2013/14	2012/13	2011/12
Share capital at 1 July	500,001	500,001	500,001	500,001	500,000
Cash capital increase	0	0	0	0	1
	500,001	500,001	500,001	500,001	500,001

Financial statements for the period 1 July - 30 June

Notes to the financial statements

1 Accounting policies

The annual report of Linas Agro A/S for 2015/16 has been prepared in accordance with the provisions applying to reporting class B enterprises under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets and liabilities are recognised in other receivables or other payables and in equity. If the forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the forecast transaction results in income or expenses, amounts previously recognised in equity are transferred to the income statement in the period in which the hedged item affects profit or loss.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement on a regular basis.

Income statement

Gross profit

The items revenue, other external expenses and other operating income is condensed to an item called gross profit in accordance to Danish Financial Statements Act § 32.

Revenue

Income from the sale of goods for resale and services is recognised in the income statement when delivery and transfer of risk to the buyer have taken place and provided that the income can be reliably measured and is expected to be received. Revenue is measured ex. VAT and taxes charged on behalf of third parties.

Revenue is measured at fair value of the agreed consideration ex. VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Other external expenses

Other external expenses include expenses related to distribution, sale, advertising, administration, premises, bad debts, lease payments under operating leases, etc.

Financial statements for the period 1 July - 30 June

Notes to the financial statements

1 Accounting policies (continued)

Staff costs

Staff costs include salaries incl. holiday pay and pension cost as well as other costs regarding social security etc. to company employees. Staff costs are reduced by received benefits from public authorities.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss from ordinary activities

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity. The tax expense recognised in the income statement relating to the extraordinary profit/loss for the year is allocated to this item whereas the remaining tax expense is allocated to the profit/loss for the year from ordinary activities.

Balance sheet

Property, plant and equipment

Fixtures and fittings, other plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives are as follows:

Fixtures and fittings, other plant and equipment 3-10 years

Depreciation is recognised in the income statement as a separate line item.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as depreciation and impairment write-down of property, plant and equipment.

Investments

Other receivables consist of rent deposits and are measured at nominal value.

Financial statements for the period 1 July - 30 June

Notes to the financial statements

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a receivable portfolio has been impaired. If there is an objective indication that an individual receivable has been impaired, a write-down is made on an individual basis.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments comprise costs incurred in relation to subsequent financial years.

Equity - dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Financial statements for the period 1 July - 30 June

Notes to the financial statements

2 Uncertainties regarding recognition and measurement

The valuation of debtors is subject to uncertainty due to a lawsuit. The uncertainty is mainly related to debtor in Serbia with a nominal receivable at DKK 9.8 million. GAFTA ruled in favour of the Company, and subsequently, the case was approved by the Serbian court of justice. Management and the Company's lawyers are of the opinion that the appeal by the counterparty will not change that. As a matter of precaution, the receivable was written down by 50% to DKK 4.9 million in the 2011/12 financial year. In the financial year 2013/14 the management decided to make additional 25% provision in the financial year, so that the receivable has been written down to DKK 2.5 million as at 30 June 2016.

In July 2013, the Company received a ruling from SKAT stating that SKAT has changed the Company's tax assessments for the income years 2007-09 whereby total taxable payment for the period has been increased by DKK 1.1 million with additional interest of DKK 0.4 million. The changes relate to non-approved deduction for intra-group services. Also the ruling consists of a change in value of transferred customer base in income year 2012 to an intra-group Company.

The Company does not concur with SKAT's assessment and has appealed the decision. Accordingly, the Company has not recognised these taxes or interests in the profit and loss statement, but has posted the paid taxes and interests as a receivable as at 30 June 2016. The financial effect made by the disagreement of value of customer base is recognised as a deduction of DKK 5.4 million in the Company's deferred tax asset.

	2015/16	2014/15
3 Staff costs		
Wages and salaries	6,687,477	5,731,114
Pension costs	564,632	543,170
Other social security costs	55,330	48,284
Other staff costs	41,060	31,336
	<u>7,348,499</u>	<u>6,353,904</u>
Average number of full-time employees	<u>6</u>	<u>5</u>
4 Financial income		
Interest income on loan to group enterprise	3,645	64,585
Other interest income	61,994	121,421
	<u>65,639</u>	<u>186,006</u>
5 Tax on profit for the year		
Tax on profit for the year	0	0
Adjustment of tax relating to previous years	0	835
Deferred tax adjustment for the year	568,000	998,000
	<u>568,000</u>	<u>998,835</u>

Financial statements for the period 1 July - 30 June

Notes to the financial statements

6 Property, plant and equipment

	Fixtures and fittings, other plant and equipment
Cost at 1 July 2015	1,021,661
Additions	0
Disposals	0
Cost at 30 June 2016	1,021,661
Impairment losses and depreciation at 1 July 2015	936,343
Depreciation	46,660
Accumulated depreciation and impairment write-downs of assets sold	0
Impairment losses and depreciation at 30 June 2016	983,003
Carrying amount at 30 June 2016	38,658

7 Deferred tax asset

Deferred tax asset includes tax loss carry forwards from previous years and deferred tax on tangible assets.

Deferred tax asset before impairment is DKK 5,982 thousand. The deferred tax asset is recognized in the balance sheet with DKK 550 thousand considering the disagreement on the transfer of customer database in the financial year 2011/12 as described in note 1.

8 Share capital

Share capital consists of 500,001 shares with a nominal value of DKK 1. No shares carry special rights.

9 Contingent liabilities and contingencies etc.

The Company is jointly and severally liable with the parent company, AB Linus Agro, for a maximum credit line of EUR 25,000 thousand, equivalent to DKK 185,983 thousand, with ABN AMRO (the Netherlands) N.V.

The company is jointly taxed with the Danish tax management company Akola ApS. The Company is jointly and severally liable with Akola ApS for Danish corporation taxes etc.

Other financial obligations

Rent obligations concerning a contract which is interminable until 1 January 2017 amount to DKK 170 thousand. Operational leasing obligation with termination 31 March 2018 amounts to DKK 128 thousand.



Financial statements for the period 1 July - 30 June

Notes to the financial statements

10 Related party disclosures (continued)

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the voting rights or minimum 5% of the share capital:

AB Linas Agro
Smėlynes g. 2c, 35143 Panevezys, Lithuania

The consolidated financial statements of AB Linas Agro are available on the Company's website www.linasagro.lt