Akola ApS

CVR no. 25 17 48 79

Annual report 2015/16

1 July 2015 - 30 June 2016

Approved at the Company's annual general meeting on 28 November 2016

Chairman:

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Anders Bredgaard

Contents

Statement by the Executive Board

The Executive Board have today discussed and approved the annual report of Akola ApS 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 consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 30 June 2016 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 July 2015 - 30 June 2016.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the Company's operations and financial position.

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

Aalborg, 28 November 2016
Executive Board:

Jørgen Henrik Christensen
CEO

Independent auditors' report

To the shareholders of Akola ApS

Independent auditors' report on the consolidated financial statements and the parent company financial statements

We have audited the consolidated financial statements and the parent company financial statements of Akola ApS for the financial year 1 July 2015 – 30 June 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the parent company and consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 consolidated financial statements and parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company 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 consolidated financial statements and parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 30 June 2016 and of the results of the Group's and the parent company's operations and consolidated cash flows for the financial year 1 July 2015 – 30 June 2016 in accordance with the Danish Financial Statements Act.

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 further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Aabenraa, 28 November 2016

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR-nr. 30 70 02 28

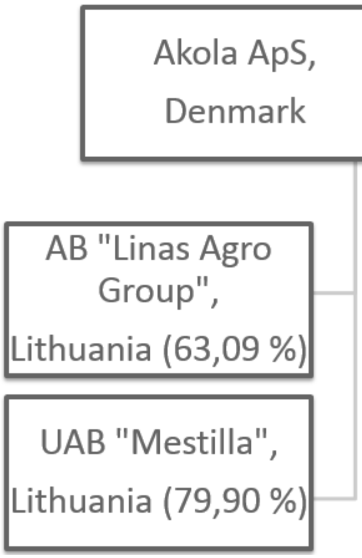
Jon Midtgaard
State Authorised
Public Accountant

Management's review

Company details

Name	Akola ApS
Address, zip code, city	Algade 31, 9000 Aalborg
CVR no.	25 17 48 79
Financial year	1 July 2015 – 30 June 2016
Executive Board	Jørgen Henrik Christensen, CEO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Skibbroen 16, 6200 Aabenraa

Group chart



Management's review

Financial highlights for the Group

DKK	2015/2016	2014/2015	2013/2014	2012/2013	2011/2012
Key figures					
Revenue	5.062.794	4.918.253	5.013.830	4.893.563	2.880.496
Gross profit	476.195	508.342	564.579	457.941	435.184
Results from operating activities	77.182	173.916	276.572	257.651	319.805
Net financials	-10.058	-13.185	-18.681	-11.895	-14.356
Results for the year	38.529	92.241	138.119	128.652	166.047
Balance					
Balance sheet sum	2.713.078	2.700.776	2.588.649	2.121.366	1.594.852
Equity	908.978	860.795	793.414	650.417	499.971
Cash flow					
Operating activities	132.855	139.547	265.021	195.611	41.427
Investing activities	-131.562	-61.296	-369.658	-98.872	105.344
Financing activities	-103.183	-4.017	102.837	-180.800	5.684
Financial ratios					
Gross margin	9,4 %	10,3 %	11,2 %	9,4 %	15,1 %
Profit margin	1,5 %	3,5 %	5,5 %	5,3 %	11,1 %
Solvency ratio	33,5 %	31,9 %	30,7 %	30,7 %	31,3 %
Return on equity	6,2 %	17,7 %	34,6 %	22,4 %	41,4 %
Average number of full-time employees	**2.320**	**2.395**	**2.325**	**1.097**	**595**

The financial ratios have been prepared in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies. Financial ratios with negative value are left out.

Management's review

Operating review

Principal activities of the Group

Akola ApS is the parent company of the Group and its activities mainly consist of holding shares in AB Linas Agro Group and UAB Mestilla.

AB Linas Agro Group is exporter of grains and has own network of grain storage facilities, supplies of agricultural inputs (such as certified seeds, fertilizers and agricultural machinery) in Lithuania and has seed preparation plant. Also, the Group is a major raw milk producer in Lithuania and poultry producer in Latvia.

UAB Mestilla's main activity is production of biodiesel.

Development in activities and financial matters

The Akola ApS Group realised a profit for the year of DKK 39 million, which was lower than last year and lower than expectations. Equity at 30 June 2016 amounts to DKK 909 million, corresponding to a solvency ratio of 33,5 %.

The subsidiary AB Linas Agro Group realised revenue of DKK 4.582 million during 2015/16 financial year and was an increase compared to previous year (DKK 4.281 million). Sales volume in tons reached an amount or 2.2 million tons of various grains, agricultural inputs and other products. The results were lower than last year and expectations due to a difficult market in financial year 2015/16. The main reason for the drop in earnings was due to continued reduction in world market prices for grain and feedstuff. This was affected by a big word grain harvest and high level of carryover stocks.

For the subsidiary UAB Mestilla results were lower than last year and lower than expectations in financial year 2015/16. During the financial year 2015-2016, the biodiesel market was not favourable for producers because of increased competition in the raw materials market, which resulted in an increase of rape prices. Furthermore, low price on oil resulted in low prices on biodiesel, which determined a decline in profitability and margin.

The group expects activities and profit for the financial year 2016/17 to be in the same level or higher than realized in financial year 2015/16.

Financing

The Group's goal is to have sufficient financial resources, retain a high liquidity level and the quality of balance, secure some flexibility and freedom in borrowing as well as meet the Group's needs for working capital and investment.

On its balance sheet date, the Group had 65 million DKK of cash and cash equivalents (in 2014/15 the amount was DKK 167 million).

The Group's cash flow from operating activities decreased from 140 million to 133 million DKK.

The Group's cash flow from investment activity amounted to -132 million DKK. The group did not take part in acquisition of subsidiaries during 2015/16.

The Group's cash flow from financial activity was negative amounting to DKK 103 million, which was basically determined by acquisition of minority interest.

The Group is fully able to finance its main and investment activities. The Group finances its working capital in four banks - AB SEB Bank, ABN AMRO Bank N.V., Swedbank AB and AB DNB bank. The overall credit line held in these banks exceeding DKK 1.1 billion.

Management's review

Investments

The Group continued a successful implementation of the investment program aimed at the strengthening of trading activities in the Baltics - development and upgrading of grain storage facilities, strengthening fertilizer marketing and agricultural production.

The agricultural companies invested almost DKK 133 million in the necessary renovation of agricultural machines, equipment and buildings.

Investments of UAB MESTILLA for the year 2015-2016 are associated with improvement of the management accounting system, partial renovation of the rape-cake and oil production equipment.

Risks

Market risk

Market risk shall be understood as a risk to generate profit lower than planned if the tone of market prices is unfavorable. This may happen if market price fell below the intervention prices (minimal purchase prices for grains established by state authorities) as it would prevent the Company from receiving surplus profit. In a market situation when grain purchase prices fall due to certain reasons, intervention prices are used as a leverage to uphold a certain price level and thus to ensure guaranteed income to farmers. When intervention prices are higher than or identical to market prices, the Group sells the purchased grains to the agency and thus earns certain income which under regular market conditions would be lower than market prices. Starting from 2005, intervention prices are set by the EU and are calculated for two years in advance. The mechanism has not been applied so far; however, if intervention prices were applied, the Group would have been deprived of surplus profit.

AB Linas Agro Group is engaged in the trade of agricultural raw materials, agricultural production, rearing of poultry and poultry production, storage of agricultural products and other activities. Poultry enterprises need to face the operational risk related to this sector including the cessation of the production as well as disease, environmental and other risks. Even though most of the subsidiaries are profitable, adverse developments in the markets, in which the parent company and its subsidiaries operate, may affect their yields. Managers for corresponding businesses within the Group follow closely and analyze the activity of the subsidiary companies and their key transactions, provide operational budgets of the companies under the authority of the Group's Board as well as monitor the implementation and key developments in these companies' budgets.

UAB Mestilla encounters with the risk of raw materials and finished goods. Various instruments are used for management of the risk of rape seeds, FAME and rape cake, which helped to manage the mentioned risks in 2015/16.

Political risk

Agriculture is a strictly regulated and supervised sector of economy in the European Union. Although this regulation and control are mostly aimed at ensuring sufficient income for entities engaged in agricultural activities, political changes may affect the situation in the market where the Group operates. For example, reduction of subsidies to agriculture may affect the activities of agricultural companies controlled by the Group.

Management's review

Counterparty risk

The Group enters forward contracts with farmers who commit the delivery of production under terms and conditions of the contract. As the prices of products increase, the risk of breach of forward contracts and non-delivery of production by counterparties emerges. The bigger the difference between the contract price and the current market price on the day of delivery, the higher is the risk.

In 2015/16 financial year, the Group according its risk management policy has been using risk management mitigating tools for forward purchases. No loss has been recorded, as the situation in the market was positive for such forward purchases. The Group continuously monitored and analyzed the market, has revised and stringent the terms of its purchase agreements, analyzed probable scenarios for losses and made certain decisions to control risk (for example, setting limits on forward contracts, evaluation and assessment of client's credit rating, capacity of cultivated land etc.).

In order to manage the risk related to certain products, the Group concludes forward contracts on commodity exchange NYSE Euronext Paris SA. The Group trades in futures to control the price risk arising from purchasing and selling rapeseed and wheat. The Group has approved an internal trade risk management system and established the credit risk management committee that analyses trade transactions entered into by the Company as well as their amounts and limits. Some of the buyers (buyers' solvency risk) are insured with international insurance companies.

Intellectual capital

The experience and knowledge of the management determine the ability of the Group to retain its competitive status and implement its growth strategy. However, there are no guarantees that all key employees of the Group will stay with the Group in the future. Loss of such employees or the Group's failure to recruit new employees possessing appropriate knowledge may have a significant adverse impact on the business outlook and financial position of the Group. Non-competition agreements are signed with some executives.

Environmental issues

The Group is actively cooperating with local communities and international organizations and participated in their projects in the fields of culture, civic education and scientific education, as well as is continuing the long-term friendship with the farmers' organizations. A total of 120 support- and cooperation projects have been implemented in the reporting period. The Group's social investments were DKK 0,8 million.

In course of performing the activities the Group follows various environmental regulations of the countries in which it operates.

The Group did not receive penalties or warnings for failure to comply with the norms of environmental legislation or other legal acts regulating the field of environmental protection.

The Group has agreements with packaging waste management companies and it organizes the collection of taxable products, automotive batteries, hydraulic shock absorbers, oil, fuel and air filters, tire over 3 kg and transportation to waste treatment facilities.

Corporate Social Responsibility (CSR)

Akola ApS does not have any particular policies for CSR and, accordingly, does not account for CSR in accordance with section 99a of the Danish Financial Statements Act. Thus, the Group does not have policies for human rights, environment and climate.

Research and development activities

The group does not carry out research and development activities.

Management's review

Goals and policies for the underrepresented gender

Akola ApS' only has one member in the Executive Board and no Board of Directors. Therefore, no goals have been set as regards top management. At present, this member is a man.

The parent company does not have any other employees, and consequently, has not defined any goals and policies for the underrepresented gender among other management positions.

Employees

The parent company Akola ApS does not have any employees.

As at 30 June 2016 the number of employees of subsidiary AB Linas Agro Group was 2.261 or 73 employees less than as at 30 June 2015 (2.334).

As at 30 June 2016, there were 59 employees in the subsidiary UAB Mestilla.

Events after the balance sheet day

Subsequent events are disclosed under note 17 to financial statements.

Consolidated financial statements and parent company financial statements for the period 1 July 2015 – 30 June 2016

Income statement

		Consolidated		Parent company	
Note	DKK'000	2015/2016	2014/2015	2015/2016	2014/2015
2	**Revenue**	5.062.794	4.918.253	0	0
	Other operating income	12.005	18.967	0	0
	Raw materials, consumables and goods for resale	-4.513.467	-4.342.069	0	0
4	Other external costs	-85.137	-86.809	-409	-653
	Gross profit	476.195	508.342	-409	-653
3	Staff costs	-317.450	-274.995	0	0
	Depreciation, amortization and impairment losses	-78.383	-56.725	0	0
	Other operating costs	-3.180	-2.706	0	0
	Operating profit	77.182	173.916	-409	-653
	Investments in subsidiaries	0	0	48.120	12.320
5	Financial income	8.883	9.451	38.777	2.371
6	Financial expenses	-18.941	-22.636	-313	-150
	Profit before tax	67.124	160.731	86.175	13.888
7	Tax on profit for the year	-12.034	-14.112	-4.936	193
	Profit for the year	55.090	146.619	81.239	14.081
	Non-controlling interests' share of the results of subsidiaries	-16.561	-54.378	0	0
	The Group's share of profit for the year	38.529	92.241	81.239	14.081
	Proposed profit appropriation				
	Proposed dividends			6.424	6.121
	Retained earnings			74.815	7.960
				81.239	14.081

Consolidated financial statements and parent company financial statements for the period 1 July 2015 – 30 June 2016

Balance sheet

		Consolidated		Parent company	
Note	DKK'000	2015/2016	2014/2015	2015/2016	2014/2015
	ASSETS				
	Non-current assets				
8	**Intangible assets**				
	Software and other intangible fixed assets	36.380	7.054	0	0
		36.380	7.054	0	0
9	**Property, plant and equipment**				
	Property, plant, machinery, tools and equipment	950.873	925.762	0	0
	Investment property	10.106	11.364	0	0
		960.979	937.126	0	0
	Investments				
10	Investments in subsidiaries	0	0	593.120	488.829
	Amounts owed by subsidiaries	0	0	0	0
12	Non-current receivables	35.902	15.528	6.239	6.101
	Other investments	472	473	346	346
		36.374	16.001	599.705	495.276
	Total non-current assets	1.033.733	960.181	599.705	495.276
	Current assets				
	Inventories				
	Animal and livestock	69.455	75.527	0	0
	Crops	102.760	115.161	0	0
	Stock	608.903	482.740	0	0
		781.118	673.428	0	0
	Receivables				
	Trade receivables	695.080	730.535	0	0
	Amounts owed by subsidiaries	0	0	7.514	32.937
	Deferred tax assets	16.024	14.918	0	0
	Other receivables	63.983	86.056	1.039	6.678
	Corporate tax	7.968	1.039	7.968	0
11	Prepayments	50.041	67.598	0	0
		833.096	900.146	16.521	39.615
	Cash at bank and in hand	65.131	167.021	1.972	3.706
	Total current assets	1.679.345	1.740.595	18.493	43.321
	TOTAL ASSETS	2.713.078	2.700.776	618.198	538.597

Consolidated financial statements and parent company financial statements for the period 1 July 2015 – 30 June 2016

Balance sheet

		Consolidated		Parent company	
Note	DKK'000	2015/2016	2014/2015	2015/2016	2014/2015
	EQUITY AND LIABILITIES				
	Equity				
	Share capital	143.039	143.039	143.039	143.039
	Retained earnings	759.515	711.635	456.994	382.179
	Proposed dividends	6.424	6.121	6.424	6.121
	Total equity	908.978	860.795	606.457	531.339
	Non-controlling interests	475.656	601.805	0	0
	Provisions				
13	Deferred tax	8.473	8.629	0	0
	Total provisions	8.473	8.629	0	0
	Liabilities other than provisions				
14	**Non-current liabilities other than provisions**				
	Bank loans	156.607	169.569	0	0
	Leasing liabilities	9.184	13.346	0	0
	Grants and subsidies	59.441	52.192	0	0
	Debt to subsidiaries	0	0	5.951	6.072
	Other debts	3.035	1.981	0	0
		228.267	237.088	5.951	6.072
	Current liabilities other than provisions				
	Current portion of non-current liabilities other than provisions	155.387	105.385	0	0
	Bank loans and overdrafts	431.506	425.893	0	0
	Trade payables	326.774	269.152	97	147
	Amounts owed to subsidiaries	0	0	5.693	1.039
	Amounts owed to owners and management	0	70	0	0
	Corporate tax	2.531	5.884	0	0
	Prepayments	57.065	53.448	0	0
	Other payables	118.441	132.627	0	0
		1.091.704	992.459	5.790	1.186
	Total liabilities other than provisions	1.319.971	1.229.547	11.741	7.258
	TOTAL EQUITY AND LIABILITIES	2.713.078	2.700.776	618.198	538.597

1 **Accounting policies**
15 **Contractual obligations and contingencies, etc.**
16 **Related party disclosures**
17 **Events after the balance sheet date**

Consolidated financial statements and parent company financial statements for the period 1 July 2015 – 30 June 2016

Statement of changes in equity

	Consolidated			
DKK'000	Share capital	Retained earnings	Proposed dividends	Total
Equity at 1 July 2015	143.039	636.983	13.392	793.414
Dividends	0	0	-13.392	-13.392
Transferred; see profit appropriation	0	86.120	6.121	92.241
Foreign currency translation adjustments, foreign subsidiaries	0	998	0	998
Value adjustments of hedging instruments	0	-9.479	0	-9.479
Equity adjustments in subsidiaries, change in minority shares etc.	0	-2.987	0	-2.987
Equity at 1 July 2015	143.039	711.635	6.121	860.795
Dividends	0	0	-6.121	-6.121
Transferred; see profit appropriation	0	32.105	6.424	38.529
Foreign currency translation adjustments, foreign subsidiaries	0	-4.099	0	-4.099
Value adjustments of hedging instruments	0	12.679	0	12.679
Equity adjustments in subsidiaries	0	1.535	0	1.535
Acquisitions of minority interests	0	5.660	0	5.660
Equity at 30 June 2016	143.039	759.515	6.424	908.978

	Parent company			
DKK'000	Share capital	Retained earnings	Proposed dividends	Total
Equity at 1 July 2015	143.039	374.219	13.392	530.650
Dividends	0	0	-13.392	-13.392
Transferred; see profit appropriation	0	7.960	6.121	14.081
Equity at 1 July 2015	143.039	382.179	6.121	531.339
Dividends	0	0	-6.121	-6.121
Transferred; see profit appropriation	0	74.815	6.424	81.239
Equity at 30 June 2016	143.039	456.994	6.424	606.457

Consolidated financial statements and parent company financial statements for the period 1 July 2015 – 30 June 2016

Cash flow statement

Note	DKK'000	Consolidated 2015/2016	Consolidated 2014/2015
	Net profit	77.182	173.916
	Depreciation and amortisation	78.383	56.725
		155.565	230.641
18	Changes in working capital	10.926	-55.612
	Cash generated from operations (operating activities)	166.491	175.029
	Interest received and similar amounts	8.883	9.451
	Interest paid and similar amounts	-18.941	-22.636
	Cash generated from operations (ordinary activities)	156.433	161.844
	Corporation tax paid	-23.578	-22.297
	Cash flows from operating activities	132.855	139.547
	Acquisition of intangible assets	-33.104	-4.790
	Acquisition of property, plant and equipment	-134.889	-99.327
	Disposal of property, plant and equipment	36.431	38.134
	Other	0	4.687
	Cash flows from investing activities	-131.562	-61.296
	External financing:		
	Increase in bank loans and overdrafts, net	45.747	18.012
	Shareholders:		
	Dividends paid	-24.913	-18.199
19	Other changes	-124.017	-3.830
	Cash flows from financing activities	-103.183	-4.017
	Net cash flows from operating, investing and financing activities	-101.890	74.234
	Cash and cash equivalents at 1 July 2015	167.021	92.787
	Cash and cash equivalents at 30 June 2016	65.131	167.021

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements and the parent company financial statements.

Consolidated financial statements and parent company financial statements for the period 1 July 2015 – 30 June 2016

Notes to the financial statements

1 **Accounting policies**

The annual report of Akola ApS for 2015/2016 has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

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

Consolidated financial statements

The consolidated financial statements comprise the parent company, Akola ApS, and subsidiaries in which Akola ApS directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls. Enterprises in which the Group holds between 20% and 50% of the voting rights and over which it exercises significant influence, but which it does not control, are considered associates, see the group chart.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on intra-group transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets or liabilities at the acquisition date.

Business combinations

Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of are recognised in the consolidated income statement until the date of disposal. The comparative figures are not adjusted for acquisitions or disposals.

Gains or losses on disposal of subsidiaries and associates are stated as the difference between the sales amount and the carrying amount of net assets at the date of disposal plus non-amortised goodwill and anticipated disposal costs.

Acquisitions of enterprises are accounted for using the acquisition method, according to which the identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset, not exceeding 20 years. Any excess of the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition (negative goodwill), representing an anticipated adverse development in the acquired enterprises, is recognised in the balance sheet as deferred income and recognised in the income statement as the adverse development is realised. Negative goodwill not related to any anticipated adverse development is recognised in the balance sheet at an amount corresponding to the fair value of non-monetary assets. The amount is subsequently recognised in the income statement over the average useful lives of the non-monetary assets.

Non-controlling interests

In the consolidated financial statements, the items of subsidiaries are recognised in full. The non-controlling interests' proportionate shares of the subsidiaries' results and equity are adjusted annually and recognised separately in the income statement and balance sheet.

Acquisitions and disposals of non-controlling interest by the Group are accounted as equity transaction: the difference between the carrying value of the net assets acquired from/disposed to the non-controlling interests in the Group's financial statements and the acquisition price/proceeds from disposal is accounted directly in equity.

Consolidated financial statements and parent company financial statements for the period 1 July 2015 – 30 June 2016

Notes to the financial statements

1 Accounting policies (continued)

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 as financial income or financial expenses.

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 as financial income or financial expenses.

Foreign subsidiaries and associates are considered separate entities. The income statements are translated at the average exchange rates, and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognised directly in equity.

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 or liabilities are recognised in other receivables or other payables and in equity. If the hedged 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 hedged forecast transaction results in income or expenses, amounts previously deferred 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.

Changes in the fair value of derivative financial instruments used to hedge net investments in independent foreign subsidiaries or associates are recognised directly in equity.

Income statement

Revenue

Income from the sale of goods is recognised in revenue when transfer of the most significant rewards and risks to the buyer has taken place and provided that the income can be reliably measured and payment is expected to be received.

Revenue from services is recognised when the services are rendered.

When the group is acting as an agent for the supplier in its relationship with the customer, only the net amount of commission retained is recognised as revenue.

Consolidated financial statements and parent company financial statements for the period 1 July 2015 – 30 June 2016

Notes to the financial statements

1 Accounting policies (continued)

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

Expense recognition

Expenses are recognised on the basis of accrual and revenue and expenses matching principles in the reporting period when the income related to these expenses is earned, irrespective of the time the money is spent. If costs incurred cannot be directly attributed to the specific income and they will not bring income during the future periods, they are expensed as incurred.

Raw materials, consumables and good for resale comprise costs incurred in generating the revenue for the year.

Other external cost comprised expenses for administration, office premises and office expenses etc.

Other operating income

Other operating income comprises items secondary to the activities of the enterprises, including gains on disposal of intangible assets and property, plant and equipment.

Other operating costs

Other operating costs comprise items secondary to the activities of the enterprises, including losses on disposal of intangible assets and property, plant and equipment.

Grants and subsidies

Government grants and subsidies (hereinafter "grants") are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Grants received in the form of cash intended for the purchase, construction or other acquisition of non-current assets are considered as asset-related grants. The amount of the assets related grants is recognised as deferred income in the financial statements as used in parts according the depreciation of the asserts associated with this grant.

Grants received as a compensation for the expenses or unearned income of the current or previous reporting period, also, all the grants, which are not grants related assets, are considered as grants related to income. The income-related grants are recognised as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by the grants.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance and pensions, and other social security costs, etc., for the Company's employees.

Financial income and expenses

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

Dividends from subsidiaries is recognised in the parent company in the financial year where the dividend is declared,

Consolidated financial statements and parent company financial statements for the period 1 July 2015 – 30 June 2016

Notes to the financial statements

1 **Accounting policies (continued)**

Tax on profit/loss for the year

The parent company is covered by the Danish rules on compulsory joint taxation of the Akola Group's subsidiaries. Subsidiaries form part of the joint taxation from the date on which they are included in the consolidation of the consolidated financial statements and up to the date on which they exit the consolidation.

The parent company is the administrative company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

The current Danish corporation tax is allocated by settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carry forwards receive joint taxation contribution from companies that have used these losses to reduce their own taxable profits.

Tax for the year comprises current tax, joint taxation contributions for the year and changes in deferred tax for the year – due to changes in the tax rate. 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.

Balance sheet

Intangible assets

Goodwill

Goodwill that is recognised in the balance sheet is measured at cost less accumulated amortisation and impairment losses.

Goodwill is amortised over its estimated useful life determined on the basis of Management's experience of the specific business areas. Goodwill is amortised on a straight-line basis over a maximum amortisation period of 20 years, longest for strategically acquired enterprises with strong market positions and long-term earnings profiles.

Software, patents and licences

Amounts paid for licences are capitalised and the amortised over their validity period of 3-4 years.

The cost of acquisition of the new software are capitalised and treated as an intangible assets if these costs are not an integral part of the related hardware. Software is amortised over a period of 3-4 years.

Gains and losses on the disposal of software, patents and licences 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 profit and loss account under amortisation

Property, plant, equipment and investment property

Land and buildings, plant and machinery, fixtures and fittings, tools, equipment and investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct costs of materials, components and sub suppliers.

Consolidated financial statements and parent company financial statements for the period 1 July 2015 – 30 June 2016

Notes to the financial statements

1 Accounting policies (continued)

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.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Buildings	15-40 years
Plant and machinery	4-15 years
Fixtures and fittings, tools and equipment	3-20 years
Investment property	20-40 years

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 other operating income or other operating costs, respectively.

Leases

Leases for non-current assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are initially recognised in the balance sheet at cost, corresponding to the lower of fair value and the net present value of future lease payments. In calculating the net present value of the future lease payments, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Company's other non-current assets.

The capitalised residual lease obligation is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

All other leases are considered operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed in contingencies, etc.

Investments in subsidiaries

Investments in listed subsidiaries are measured at fair value in the parent company's balance sheet.

Investments in other subsidiaries and other financial fixed assets are measured at fair value in the parent company's balance sheet. If fair value cannot be reliable measured, these will be measured at cost.

Received dividend and change in fair value is recognized in the income statement.

Biological assets

The group's biological assets include animals and livestock, poultry and crops.

Animals and livestock are accounted for at fair value less costs to sell. The fair value of milking cows is measured using discounted cash flows method. Other livestock is measured at comparable market price.

Consolidated financial statements and parent company financial statements for the period 1 July 2015 – 30 June 2016

Notes to the financial statements

1 Accounting policies (continued)

Poultry is accounted for at fair value less cost to sell. The fair value of poultry is measured at comparable market prices.

Crops are accounted for at fair value less costs to sell. The fair value of crops is measured at comparable market price.

Agricultural produce harvested from an entity's biological assets in measured at its fair value less estimated costs to sell at the point of harvest. Such measurement is further the cost of inventories.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect overhead costs based on a normal operating capacity.

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 based on an individual assessment.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's and the Group's credit risk management policy. The objective indicators used in relation to portfolios are determined based on historical loss experience.

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.

Prepayments

Prepayments comprise costs incurred concerning 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.

Akola ApS is jointly taxed with the Danish group companies and acts in the respect as the administration company. Joint taxation contribution payable and receivable is recognised in the balance sheet as "Corporation tax receivable" or "Corporation tax payable".

Consolidated financial statements and parent company financial statements for the period 1 July 2015 – 30 June 2016

Notes to the financial statements

1 Accounting policies (continued)

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.

Deferred tax assets, including the tax value of tax loss carry forwards, 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 in the respective countries 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.

Financial liabilities also include the capitalised residual obligation on finance leases.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income comprises negative goodwill; see the description of consolidation practice, and payments received concerning income in subsequent years.

Cash flow statement

The cash flow statement, made up according to the indirect method, shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year. Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are subject to an insignificant risk of changes in value.

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

Consolidated financial statements and parent company financial statements for the period 1 July 2015 – 30 June 2016

Notes to the financial statements

1 Accounting policies (continued)

Segment information

Information is provided on business segments and geographical markets. Segment information is based on the Group's accounting policies, risks and internal financial management.

Financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$
Results for analytical purposes	Profit from ordinary activities after tax less non-controlling interests' share
Return on equity	$\frac{\text{Profit from ordinary activities after tax x 100}}{\text{Average equity}}$

Consolidated financial statements and parent company financial statements for the period 1 July 2015 – 30 June 2016

Notes to the financial statements

2 Segment information

Activities – primary segment

DKK'000	Consolidated 2015/2016	Consolidated 2014/2015
Grains and feedstuff handling and merchandising	2.809.484	2.820.703
Products and services for farming	1.220.433	910.730
Agricultural production	197.169	182.711
Other products and services	152.286	188.428
Food products	438.110	451.675
Adjustments and eliminations	-190.677	-198.140
Sales of fatty acid related products	435.989	562.146
Revenue	5.062.794	4.918.253

Geographical – secondary segment

DKK'000	Consolidated 2015/2016	Consolidated 2014/2015
CIS	88.466	97.450
Lithuania	1.411.366	1.111.251
Europe (except for Scandinavian, CIS and Lithuania)	1.499.632	1.451.189
Scandinavian countries	954.432	1.289.333
Asia	710.210	833.405
Africa	398.688	135.625
Revenue	5.062.794	4.918.253

DKK'000	Consolidated 2015/2016	Consolidated 2014/2015	Parent company 2015/2016	Parent company 2014/2015
3 Staff costs				
Wages and salaries	247.054	214.818	0	0
Pensions costs	1.745	1.023	0	0
Social security costs	65.216	56.891	0	0
Other staff costs	3.435	2.263	0	0
	317.450	274.995	0	0
Average number of full-time employees	2.320	2.395	0	0

Executive Board consists of one person in parent company, therefore remuneration to Executive Board is not disclosed.

Consolidated financial statements and parent company financial statements for the period 1 July 2015 – 30 June 2016

Notes to the financial statements

		Consolidated	
	DKK'000	2015/2016	2014/2015
4	**Fees paid to auditors appointed at the annual general meeting**		
	Total fees to auditors	2.202	1.528
	Fee regarding statutory audit	1.402	1.396
	Tax assistance	211	46
	Other assistance	589	86
		2.202	1.528

		Consolidated		Parent company	
	DKK'000	2015/2016	2014/2015	2015/2016	2014/2015
5	**Financial income**				
	Interest income from subsidiaries	0	0	665	1.984
	Gain from receivables	0	0	37.545	0
	Other interest income	8.883	9.451	567	387
		8.883	9.451	38.777	2.371
6	**Financial expenses**				
	Interest expense to subsidiaries	0	0	159	120
	Other interest expense	18.941	22.636	154	30
		18.941	22.636	313	150

Consolidated financial statements and parent company financial statements for the period 1 July 2015 – 30 June 2016

Notes to the financial statements

		Consolidated		Parent company	
	DKK'000	2015/2016	2014/2015	2015/2016	2014/2015
7	**Tax on the profit for the year**				
	Current tax for the year	12.757	14.781	4.936	0
	Adjustment of deferred tax	-1.079	-449	0	0
	Adjustment of tax for previous years	356	-220	0	-193
		12.034	14.112	4.936	-193

8 Intangible assets

DKK'000	Consolidated Software and other intangible fixed assets
Cost at 1 July 2015	11.627
Foreign currency translation adjustments, foreign entities	-26
Additions	33.104
Disposals	-275
Transferred	-2.909
Cost at 30 June 2016	41.521
Impairment losses and amortisation at 1 July 2015	4.573
Foreign currency translation adjustments, foreign entities	-13
Amortisation	833
Disposals	-252
Impairment losses and amortisation at 30 June 2016	5.141
Carrying amount at 30 June 2016	36.380
Amortised over	3-4 years

Consolidated financial statements and parent company financial statements for the period 1 July 2015 – 30 June 2016

Notes to the financial statements

9 Property, plant and equipment

	Consolidated		
DKK'000	Investment properties	Property, plant, machinery etc.	Total
Cost at 1 July 2015	11.837	1.406.800	1.418.637
Foreign currency translation adjustments, foreign entities	-28	-3.975	-4.003
Additions	0	134.889	134.889
Transferred	-922	3.839	2.917
Disposals	-74	-43.334	-43.408
Cost at 30 June 2016	10.813	1.498.219	1.509.032
Impairment losses and depreciation at 1 July 2015	473	481.038	481.511
Foreign currency translation adjustments, foreign entities	11	-1.361	-1.350
Depreciation	67	98.288	98.355
Disposals	-223	-30.337	-30.560
Transferred	0	149	149
Impairment losses	379	-431	-52
Impairment losses and depreciation at 30 June 2016	707	547.346	548.053
Carrying amount at 30 June 2016	10.106	950.873	960.979
Property, plant and equipment include finance leases with a carrying amount totalling	0	11.278	11.278
Depreciated over	20-40 years	3-40 years	

	Parent company	
DKK'000	2015/2016	2014/2015
10 Investments in subsidiaries		
Cost at 1 July 2015	370.993	370.993
Additions	120.826	0
Cost at 30 June 2016	491.819	370.993
Value adjustments at 1 July 2015	117.836	111.578
Value adjustments for the year	-16.535	6.258
Value adjustments at 30 June 2016	101.301	117.836
Carrying amount at 30 June 2016	593.120	488.829

Consolidated financial statements and parent company financial statements for the period 1 July 2015 – 30 June 2016

Notes to the financial statements

Name and registered office	Voting rights and ownership
UAB MESTILLA, Lithuania	79,90 %
AB Linas Agro Group, Lithuania	63,09 %
Investments into directly controlled subsidiary of AB Linas Agro Group:	
AB Linas Agro, Lithuania	100 %
AB Linas Agro Konsultacijos, Lithuania	100 %
UAB Dotnuva Baltic, Lithuania	100 %
UAB Jungtine ekspedicija, Lithuania	100 %
ZUB Landvesta 1, Lithuania	100 %
ZUB Landvesta 2, Lithuania	100 %
ZUB Landvesta 5, Lithuania	100 %
ZUB Noreikiskiu, Lithuania	100 %
UAB Lineliai, Lithuania	100 %
AS Putnu fabrika Kekava, Latvia	93,81 %
SIA PFK Trader , Latvia	93,81 %
SIA Lielzeltini, Latvia	100 %
SIA Cerova, Latvia	100 %
SIA Broileks, Latvia	100 %
SIA Erfolg Group, Latvia	93,81 %
Investments into indirectly controlled subsidiaries through AB Linas Agro:	
SIA Linas Agro, Latvia	100 %
UAB Gerera, Lithuania	100 %
UAB Linas Agro Grudu centras, Lithuania	100 %
UAB Linas Agro Grudu Centras KUB, Lithuania	100 %
Linas Agro A/S, Denmark	100 %
ZUB Landvesta 3, Lithuania	100 %
ZUB Landvesta 4, Lithuania	100 %
ZUB Landvesta 6, Lithuania	100 %
Investment into indirectly controlled subsidiaries through UAB Linas Agro Konsultacijos:	
ZUN KUPISKIO GRUDAI, Lithuania	98,49 %
Birzai district Medeikiu ZUB, Lithuania	98,34 %
Sakiai district Luksiu ZUB, Lithuania	98,80 %
Panevézys district Aukstadvario ZÜB, Lithuania	97,65 %
Sidabravo ZUB, Lithuania	95,21 %
Kédainai district Labunavos ZÜB, Lithuania	98,60 %
Uzupes ZUB, Lithuania	100 %
UAB Paberžėlė	100 %
Panevéays district Zibartoniy ZÜB, Lithuania	99,89 %
Investment into indirectly controlled subsidiaries through UAB Dotnuvos Projektai:	
SIA Dotnuva Baltic, Latvia	100 %
AS Dotnuva Baltic, Estonia	100 %
UAB Dotnuvos Technika, Lithuania	100 %
Investment into indirectly controlled subsidiaries through Linas Agro Grudu centras KUB:	
Karcemos kooperatiné bendrove, Lithuania	20 %
SIA Paleo, Lativa	100 %
SIA Linas Agro Graudu centras, Latvia	100 %
Investment into indirectly controlled subsidiaries through Panevézys district Zibartoniu ZÜB:	
Karcemos kooperatiné bendrove, Lithuania	4 %

Consolidated financial statements and parent company financial statements for the period 1 July 2015 – 30 June 2016

Notes to the financial statements

DKK'000	Consolidated 2015/2016	Consolidated 2014/2015	Parent company 2015/2016	Parent company 2014/2015
11 Prepayments				
Prepayments to agricultural produce growers	4.245	4.244	0	0
Prepayments to other suppliers	45.796	63.354	0	0
	50.041	67.598	0	0

Accruals and prepayments include phasing of costs, which relate to the following year, mainly including payments for commodities, and a smaller part regarding accruals of operating expenses.

DKK'000	Consolidated 2015/2016	Consolidated 2014/2015	Parent company 2015/2016	Parent company 2014/2015
12 Receivables				
Amounts falling due more than one year after the balance sheet date	35.902	15.528	6.239	6.101

13 Deferred tax

Provision for deferred tax in the group cover deferred tax on stock and tangible assets.

DKK'000	Consolidated 2015/2016	Consolidated 2014/2015	Parent company 2015/2016	Parent company 2014/2015
14 Long-term debt				
Long-term liabilities, due 5 years after the end of the financial year	8.972	8.162	0	0
	8.972	8.162	0	0

Consolidated financial statements and parent company financial statements for the period 1 July 2015 – 30 June 2016

Notes to the financial statements

15 Contractual obligations and contingencies, etc.

Group

As at 30 June 2016 the Group is committed to purchase property, plant and equipment for the total amount of DKK 68.992 thousand (DKK 3.984 thousand as at 30 June 2015).

A few Group companies (Panevėžys district Aukštadvario ŽŪB, Kėdainiai district Labūnavos ŽŪB, Šakiai district Lukšių ŽŪB, Sidabravo ŽŪB and Panevėžys district Žibartonių ŽŪB) received grants from the European Union and National Paying Agency for acquisition of agricultural equipment.

Panevėžys district Aukštadvario ŽŪB, Kėdainių district Labūnavos ŽŪB, Sidabravo ŽŪB, Panevėžys district Žibartonių ŽŪB are committed not to discontinue operations related to agricultural up to the end of 2019, Šakiai district Lukšių ŽŪB – up to 2020 and 2021. UAB Linas Agro Grūdų Centras KŪB, Karčemos kooperatinė bendrovė received grants from the European Union and National Paying Agency (Lithuania) for grain handling and storage facility upgrade. UAB Linas Agro Grūdų Centras KŪB is committed not to discontinue operations related to preparation and warehousing of grains for trade agriculture up to 2018 and 2020, Karčemos kooperatinė bendrovė – up to 2017.

SIA Lielzeltini, SIA Cerova and SIA Broileks received grants from the European Union and Rural Support Service (Latvia) for poultry farm, feedstuffs production and storages upgrade. SIA Lielzeltini is committed not to discontinue broiler breeding, slaughtering and sale of products, feedstuffs up to 2020, SIA Cerova – up to 2018 and SIA Broileks – up to 2016.

In case of non-compliance with the requirements the Group companies will have to return funds received to the state of Lithuania and Latvia amounting to DKK 32.621 thousand as at 30 June 2016 DKK 33.734 thousand as at 30 June 2015).

In July 2013 the Group company Linas Agro A/S received a ruling from the Danish Tax Inspection (hereafter - SKAT) stating that SKAT has changed the companies tax assessments for the income year 2007/2009 whereby total taxable payment for period has been increased by DKK 1,100 thousand. The changes relate to non-approved deduction for inter-group services. The company's management does not concur with SKAT's assessment and the decision is appealed. Accordingly, the Group did not recognize any tax liability or any interest as at 30 June 2016 and 30 June 2015.

In addition Linas Agro A/S received a ruling from SKAT regarding the valuation of customer base which was transferred to the Group company, AB Linas Agro in the year 2011/2012. The decision has a negative effect on the total tax loss carry forward amount which is incorporated into calculation of taxable income for the year 2012/2013. SKAT has ruled that the value of the customer base should have been DKK 36.414 thousand and not DKK 11.722 thousand as the value sold in 2011/2012 by Linas Agro A/S to AB Linas Agro. This implies a reduction of the total tax loss carry forward in the amount of DKK 24.692 thousand (tax value EUR DKK 5.432 thousand). Deferred tax asset from the tax loss carry forward from this amount is not recognized by Linas Agro A/S. Linas Agro A/S management does not agree with SKAT and appealed the decision.
During the financial year ended 30 June 2016 the management of the Group initiated actions to reach the agreement between Lithuanian and Danish tax authorities. As at financial statements date there were no decisions reached as the investigation might last up to two years.

As at 30 June 2016 and 2015 the balance of guarantees and warranties issued by the Company to the banks for the controlled companies (directly and indirectly controlled subsidiaries) amounted to DKK 459.087 thousand.

The Company's guarantees are issued for the loans granted to these companies. The Company is obliged to repay the companies' liabilities to banks in full, if the subsidiaries are not able to do it themselves. The management of the Group believes that the subsidiaries on behalf of which guarantees and warranties were issued will meet their liabilities to the creditors, therefore, no provisions in respect of these guarantees were accounted for in the financial statements as at 30 June 2016 and 30 June 2015.

Consolidated financial statements and parent company financial statements for the period 1 July 2015 – 30 June 2016

Notes to the financial statements

During the year ended 30 June 2016 Group companies entered into the sale and buy-back agreements with its customers. The potential buyback obligation as at 30 June 2016 is DKK 11.427 thousand, however no provision is accounted for since the probabaility of the buy-back is not probable and reliable estimate can not be made.

As at the statement of financial position date, the Company has a valid operating lease agreement, the future payments of which amount to DKK 283 thousand.

As at 30 June 2016, the following assets have been pledged to secure the bank loans:

- Property, plant and equipment and other assets by the carrying amount of DKK 93.296 thousand.
- Current and future inflows in the bank account at Swedbank AS.
- All inventory by the carrying amount of up to DKK 37.197 thousand.
- Trade receivables
- The rights to sublease the land plot.

There are no other significant pending or unresolved litigation as at 30 June 2016.

The tax authorities have not performed a full scope tax review of UAB Mestilla for the period from 30 June 2011 to 30 June 2016. Pursuant to the prevailing tax legislation, the tax authorities have the right at any time to check the accounting registers of the Company for a period of 5 years before the current taxable period and may charge additional taxes and penalties. The Company's management is not aware of any circumstances, which could result in additional material tax liabilities. As at the reporting date, there are no significant pending or unresolved litigation.

Parent

The parent company has no contingent liabilities.

16 Related party disclosures

Akola ApS' related parties comprise the following:

Parties exercising control

Darius Zubas, (holds the majority of the share capital in the Company)

Smelynes St. 2C,
LT-35143 Panevezys
Lithuania

Owership

In addition, the following shareholders are registered in the register of shareholders as holding minimum 5 % of the voting rights or minimum 5 % of the share capital.

Vytautas Sidlauskas

Smelynes St. 2C,
LT-35143 Panevezys
Lithuania

Consolidated financial statements and parent company financial statements for the period 1 July 2015 – 30 June 2016

Notes to the financial statements

17 Events after the balance sheet date

Group

On 15 July 2016 AB Linas Agro signed the credit line agreement with AB DNB Bank. The total credit limit is DKK 74 million. On 23 August 2016 an amendment to the credit line agreement was signed, upon the AB Linas Agro request the credit limit decreased to DKK 37 million.

On 4 October AB Linas Agro restricted cash amounted to DKK 2.976 thousand.

On 18 August UAB Linas Agro Grūdų Centras KŪB prolonged credit line agreement with AB SEB bank until 28 August 2018.

On 30 June 2016 UAB Dotnuva Baltic signed the credit line agreement amendment with bank. The total credit limit is DKK 126.468 thousand until July 2018.

On 23 September 2016 the Company increased share capital of its subsidiary Lineliai UAB by DKK 670 thousand.

During July – September of 2016 the Company increased share capital of its subsidiary Landvesta 5 ZUB by DKK 1.488 thousand.

There were no other material events after the date of the statement of financial position that would require adjustment or disclosure in these financial statements.

18 Changes in working capital

	Consolidated	
DKK'000	2015/16	2014/15
Changes in inventories	-107.690	61.038
Changes in receivables	54.711	-96.697
Changes in debt subsidiaries	-70	-1.216
Changes in trade payables	57.622	-30.037
Changes in other debt	-9.515	25.057
Fair value adjustments of hedging instruments recognised in equity	15.868	-13.757
	10.926	-55.612

19 Other changes

	Consolidated	
DKK'000	2015/16	2014/15
Exchange rate adjustments	-5.541	1.511
Acquisition of minority interest	-118.477	-5.334
Other financial adjustments	1	-7
	-124.017	-3.830