

Atlantic Agro Holdings ApS



Annual report 2015

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

Chairman:



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Peter Hansen



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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 Atlantic Agro Holdings ApS A/S for the financial year 1 January - 31 December 2015.

The parent company financial statements have been prepared in accordance with the Danish Financial Statements Act and the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

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 31 December 2015 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 January - 31 December 2015.

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.

Sønderborg, 28 June 2016
Executive Board:


David D. Sweere

Board of Directors:



Peter E. Hansen
Chairman

Hans Otto Ewers



Claus Ewers

Tamara Y. Sweere

Daniel D. Sweere

David D. Sweere

Independent auditors' report

To the shareholders of Atlantic Agro Holdings 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 Atlantic Agro Holdings ApS for the financial year 1 January - 31 December 2015, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as for the parent company and consolidated statement of comprehensive income and consolidated cash flow statement. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, 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 International Financial Reporting Standards as adopted by the EU (the consolidated financial statements), the Danish Financial Statements Act (the parent company financial statements) and additional disclosure requirements in 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.

Independent auditors' report

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 31 December 2015 and of the results of the Group's and the parent company's operations and the consolidated cash flows for the financial year 1 January - 31 December 2015 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act in respect of the consolidated financial statements and in accordance with the Danish Financial Statements Act in respect of the parent company financial statements.

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.

Emphasis of matter regarding the financial statements

We draw attention to:

- Note 1b, which describes the political and social unrest and regional tensions that started in November 2013 and escalated in 2014 and afterwards. The events referred to in Note 1b have adversely affected the Group and could continue to adversely affect the Group's results and financial position in a manner not currently determinable. Our opinion is not qualified in respect of this matter.
- Note 2e, which describes that the Component incurred a net loss of USD 7,087 thousand for the year ended 31 December 2015 and, as at that date, its current liabilities exceeded its current assets by USD 11,349 thousand. These conditions, along with the other matters described in Note 1b, indicate the existence of a material uncertainty that may cast significant doubt about the Component's ability to continue as a going concern. Our opinion is not qualified in respect of this matter

Sønderborg, 28 June 2016
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Christian S. Christiansen
State Authorised Public Accountant



Management's review

Company details

Atlantic Agro Holdings ApS
Ellegårdvej 19
DK-6400 Sønderborg

Registration no.: 29 44 87 79
Established: April 7, 2006
Registered office: Sønderborg
Financial year: January 1 - December 31

Board of Directors

David D. Sweere

Executive Board

Peter E. Hansen (Chairman)
Hans Otto Ewers
Claus Ewers
Tamara Y. Sweere
Daniel D. Sweere
David D. Sweere

Auditors

Ernst & Young
Godkendt Revisionspartnerselskab
Nørre Havnegade 43
DK-6400 Sønderborg

Consolidated Statement of Financial Position as at 31 December

<i>(in thousands of US Dollars)</i>	Notes	2015	2014 (restated)	2013
Assets				
Non-current assets				
Property, plant and equipment	6	15,796	19,015	21,297
Land lease rights		-	-	18
Prepaid lease expenses	7	47	77	112
Biological assets	8	20	21	21
Other non-current assets		90	108	9
Goodwill	10	517	756	1,458
Investments		45	30	-
		<u>16,515</u>	<u>20,007</u>	<u>22,915</u>
Current assets				
Biological assets	8	174	186	2,332
Crop investments	9	471	480	1,244
Inventories	11	4,399	4,860	11,356
Prepayments made and other assets		168	232	511
Trade and other receivables	12	627	1,817	880
Income tax receivable		13	21	-
Cash and cash equivalents		92	339	938
		<u>5,944</u>	<u>7,935</u>	<u>17,261</u>
Total assets		<u>22,459</u>	<u>27,942</u>	<u>40,176</u>
Equity and liabilities				
Equity				
Share capital (1,000,000 shares at par value \$0.175)	13	175	175	175
Additional paid-in capital		9,825	9,825	9,825
Revaluation surplus		23,644	19,696	11,960
Foreign currency translation reserve		(9,730)	(6,969)	(4,543)
Retained earnings (accumulated deficit)		(21,674)	(14,587)	(1,798)
Total equity		<u>2,240</u>	<u>8,140</u>	<u>15,619</u>
Non-current liabilities				
Subordinated loan from related party	14	1,529	1,806	1,901
Loans and borrowings	14	461	882	1,381
Deferred tax liabilities	21	936	825	1,167
		<u>2,926</u>	<u>3,513</u>	<u>4,449</u>
Current liabilities				
Subordinated loan from related party	14	1,172	817	817
Loans and borrowings	14	9,206	10,221	10,314
Loans classified as current due to breach of covenants	14	2,374	3,580	3,500
Advances received		1,754	168	2,037
Trade and other payables to non-related parties	15	1,547	1,214	2,409
Trade and other payables to related parties	15	1,240	289	1,027
Income tax payable		-	-	4
		<u>17,293</u>	<u>16,289</u>	<u>20,108</u>
Total liabilities		<u>20,219</u>	<u>19,802</u>	<u>24,557</u>
Total equity and liabilities		<u>22,459</u>	<u>27,942</u>	<u>40,176</u>

The accompanying notes form an integral part of these consolidated financial statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December

<i>(in thousands of US Dollars)</i>	Notes	2015	2014 (restated)
Revenues	16	11,281	22,982
Change in fair value of biological assets (crops) and gain on initial recognition of agricultural produce	8(c)	2,383	2,118
Cost of sales	17	<u>(10,373)</u>	<u>(20,558)</u>
Gross profit		<u>3,291</u>	4,542
Administrative expenses	18	(1,767)	(2,063)
Distribution expenses		(382)	(806)
Change in fair value of biological assets (livestock)	8(c)	(38)	(217)
Other income and expenses, net		<u>(705)</u>	300
Profit (loss) from operations		<u>399</u>	<u>1,756</u>
Analysis of profit (loss) from operations			
Profit (loss) before interest, tax, depreciation and amortisation (EBITDA)	22	1,844	3,165
<i>EBITDA to Revenues</i>		16.3%	43.8%
Depreciation and amortization		(1,445)	(1,409)
Profit (loss) from operations		399	1,756
<i>Profit (loss) from operations to Revenues</i>		3.5%	79.3%
Finance costs	20	<u>(7,630)</u>	<u>(15,632)</u>
(Loss) / profit before income tax		<u>(7,231)</u>	<u>(13,876)</u>
Income tax benefit (expense)	21	144	1,087
(Loss) / profit for the year		<u>(7,087)</u>	<u>(12,789)</u>
Other comprehensive income (loss)			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Foreign currency translation differences		<u>(2,761)</u>	<u>(2,370)</u>
		<u>(2,761)</u>	<u>(2,370)</u>
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Gain on revaluation of property, plant and equipment, net of deferred tax		<u>3,948</u>	7,736
		<u>3,948</u>	7,736
Total other comprehensive income		<u>1,187</u>	5,366
Total comprehensive (loss) / income		<u>(5,900)</u>	<u>(7,423)</u>

The accompanying notes form an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows for the year ended 31 December

<i>(in thousands of US Dollars)</i>	<i>Notes</i>	2015	2014
Profit (loss) for the year		(7,087)	(12,789)
Adjustments for:			
Depreciation and amortisation		1,445	1,409
Change in fair value of biological assets (livestock)	8(c)	38	217
Change in fair value of biological assets (crops) and gain on initial recognition of agricultural produce		(1,382)	(1,129)
(Reversal of impairment) impairment of property, plant and equipment	6(b)	(10)	200
Unrealised foreign exchange loss (gain)	20	6,141	13,545
Interest expense	20	1,489	1,913
Reversal of impairment of trade and other accounts receivable, net	12	-	(94)
Income tax (benefit) expense	21	(144)	(1,087)
Operating cash flows before changes in working capital		490	2,185
Change in biological assets		(50)	1,054
Change in crop investments		1,231	1,339
Change in inventories		(1,159)	1,312
Change in advances paid		(13)	6
Change in trade and other receivables		568	(1,604)
Change in advances received		1,220	(1,131)
Change in trade and other payables		1,904	75
Cash flows from (used in) operating activities before income taxes and interest paid		4,191	3,236
Income tax paid		-	(29)
Interest paid		(1,486)	(1,595)
Cash flows from (used in) operating activities		2,705	1,612
<i>Cash flows from investing activities:</i>			
Proceeds from disposal of property, plant and equipment		98	17
Purchase of property, plant and equipment and land lease rights		(226)	(185)
Cash flows (used in) investing activities		(128)	(168)
<i>Cash flows from financing activities:</i>			
Proceeds from loans and borrowings		-	2,073
Principal payments on loans and borrowings		(2,711)	(3,650)
Cash flows from (used in) financing activities		(2,711)	(1,577)
Net increase (decrease) in cash and cash equivalents		(134)	(133)
Cash and cash equivalents at beginning of year		339	938
Effect of exchange rate fluctuations on cash and cash equivalents		(113)	(410)
Cash and cash equivalents at end of year		92	339

The accompanying notes form an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity for the year ended 31 December

<i>(in thousands of US Dollars)</i>	Share capital	Additional paid-in capital	Revaluation surplus	Foreign currency translation reserve	Retained earnings (accumulated deficit)	Total
Balances at 31 December 2013	175	9,825	11,960	(4,543)	(1,798)	15,619
Loss for the year (restated)	-	-	-	-	(12,789)	(12,789)
Other comprehensive income:						
Revaluation of property, plant and equipment	-	-	8,804	-	-	8,804
Income tax on other comprehensive income	-	-	(1,068)	-	-	(1,068)
Currency translation adjustment	-	-	-	(2,426)	-	(2,426)
Total comprehensive income for the year	-	-	7,736	(2,426)	(12,789)	(7,479)
Balances at 31 December 2014 (restated)	175	9,825	19,696	(6,969)	(14,587)	8,140
Loss for the year	-	-	-	-	(7,087)	(7,087)
Other comprehensive income:						
Revaluation of property, plant and equipment	-	-	4,478	-	-	4,478
Income tax on other comprehensive income	-	-	(530)	-	-	(530)
Currency translation adjustment	-	-	-	(2,761)	-	(2,761)
Total comprehensive income for the year	-	-	3,948	(2,761)	(7,087)	(5,900)
Balances at 31 December 2015	175	9,825	23,644	(9,730)	(21,674)	2,240

The accompanying notes form an integral part of these consolidated financial statements

Notes to the Consolidated Financial Statements

1 Background

(a) Organization and operations

These consolidated financial statements include Atlantic Agro Holdings ApS and its subsidiaries (the "Group"). Atlantic Agro Holdings ApS (the "Company"), a Danish private limited company, was established on 7 April 2006 and began operations on 29 August 2006. The Company is located at Ellegårdsvej 19, DK-6400 Sønderborg, Denmark. The Company is jointly owned on a fifty-fifty basis by David D., Tamara Y. and Daniel D. Sweere of the United States of America (US Shareholders) through two companies, namely AG Developers ApS and Kiev Atlantic US Ltd., and by Peter E. Hansen, Claus and Hans Ewers and Henrik Hoogaard (Danish shareholders) through the Danish investment company (DUI).

The Group includes the following companies:

- 1) Joint Stock Company Kyiv Atlantic Ukraine (KAU) is a Ukrainian company registered under the laws of Ukraine and is located at 4, Stepova Street, Myronivka, Ukraine. The executive office is located at 15, P. Lumumby Street, Kyiv, Ukraine. The operations consist of three divisions that include the operation of a modern grain elevator, a modern vegetable oil seed extraction plant and a modern feed manufacturing facility. KAU maintains its own warehouses for its semi- and finished goods inventories as well as fully aerated and elevated steel storages for its raw material commodities. Main product of KAU is feeds. Other value added goods include vegetable cooking oils and protein meals. Along with providing some grain handling, drying and storage services to others, KAU's grain elevator division buys the raw materials for the other two companies and it also buys and sells a portion of commodities for resale to other traders and production companies, both domestic and foreign.
- 2) Limited Liability Company Atlantic Farms II (AFII) is a Ukrainian company registered under the laws of Ukraine and is located at 7, P. Shevchenko Street, v. Drabiv, Cherkassky district, Ukraine. The principal operation is agricultural production that involves growing and selling various protein (soybeans, oil seed rape and peas) and cereal crops (corn, wheat, barley, oats and rye) on approximately 5 thousand hectares of leased land in Drabiv, Cherkassy region, Ukraine. These products are sold in Ukraine and abroad. AFII is also involved in growing and selling swine for meat.

Farm Enterprise ABC (ABC) a subsidiary of AFII that leases 281 hectares of land used for growing of crops (soybeans and corn).

- 3) Subsidiary Company Atlantic Farms (AF) is a Ukrainian company registered under the laws of Ukraine and is located at 4, Stepova Street, Myronivka, Ukraine. The principal operation is agricultural production that involves growing various oil seed and protein crops (soybeans, oil seed rape and peas) and cereal crops (corn, wheat, barley, oats and rye) on leased land that is located near a modern processing centre that is owned by KAU.

The Company's ownership in its subsidiaries as at 31 December 2015 and 2014 is 100%.

(b) Ukrainian business environment

Ukraine's political and economic situation has deteriorated significantly since 2014. Following political and social unrest, which started in November 2013, in March 2014 various events in Crimea led to the accession of the Republic of Crimea to the Russian Federation, which was not recognised by Ukraine and many other countries. This event resulted in a significant deterioration of the relationship between Ukraine and the Russian Federation. Following the instability in Crimea, regional tensions have spread to the Eastern regions of Ukraine, primarily Donetsk and Lugansk regions. In May 2014, protests in those regions escalated into military clashes and armed conflict between supporters of the self-declared republics of the Donetsk and Lugansk regions and the Ukrainian forces, which continued through the date of this memorandum. As a result of this conflict, part of the Donetsk and Lugansk regions remains under control of the self-proclaimed republics, and Ukrainian authorities are not currently able to fully enforce Ukrainian laws on this territory.

Political and social unrest combined with the military conflict in the Donetsk and Lugansk regions has deepened the ongoing economic crisis, caused a fall in the country's gross domestic product and foreign trade, deterioration in state finances, depletion of the National Bank of Ukraine's foreign currency reserves, significant devaluation of the national currency and a further downgrading of the Ukrainian sovereign debt credit ratings. Following the devaluation of the national currency, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions, which among others included restrictions on purchases of foreign currency by individuals and companies, the requirement to convert 75% of foreign currency proceeds to local currency, a ban on payment of dividends abroad, a ban on early repayment of foreign loans and restrictions on cash withdrawals from banks. These events had a negative effect on Ukrainian companies and banks, significantly limiting their ability to obtain financing on domestic and international markets.

The final resolution and the effects of the political and economic crisis are difficult to predict but may have further severe effects on the Ukrainian economy.

Whilst management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, a continuation of the current unstable business environment could negatively affect the Group's results and financial position in a manner not currently determinable. These consolidated financial statements reflect management's current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. These consolidated financial statements are not the Company's statutory financial statements.

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for biological assets, which are carried at fair value less costs to sell, property, plant and equipment, which is carried at revalued amounts and except for agricultural produce measured at its fair value less costs to sell at the points of harvest, which becomes its deemed cost after transfer to inventories. These consolidated financial statements are presented in thousands of US Dollars (USD).

(c) Functional and presentation currency

The national currency of Denmark is the Danish Krone (DKK), which is the Company's functional currency. The national currency of Ukraine is the Ukrainian Hryvnia (UAH), which is the Company's subsidiaries' functional currency.

The Group uses the US dollar (USD) as the currency in which it presents its consolidated financial statements. The USD has been selected as the presentation currency because USD is the currency familiar to a wide range of the Group's counterparties.

The following policies are applied for presenting the consolidated financial statements in the Group's presentation currency:

- for the purpose of presenting the consolidated statement of financial position, assets and liabilities are translated using the closing rates at the reporting date
- items of income and expense are translated at exchange rates ruling as at the dates of relevant transactions or average exchange rates for the reporting periods are applied, if those rates reasonably approximate exchange rates as at the date of transaction
- capital transactions are translated at exchange rates ruling as at the dates of relevant transactions. Components of equity are not retranslated.

The principal USD exchange rates used in the preparation of these consolidated financial statements are as follows:

Currency	31 December 2015	31 December 2014
Ukrainian hryvnia (UAH)	0.042	0.063
Danish Krone (DKK)	0.146	1.163
Euro (EUR)	1.093	1.188

Average USD exchange rates for the year ended 31 December are as follows:

Currency	2015	2014
Ukrainian hryvnia (UAH)	0.046	0.083
Danish Krone (DKK)	0.148	0.163
Euro (EUR)	1.109	1.250

As at the date that these consolidated financial statements are authorised for issue, 9 June 2016, the exchange rates are USD 0.040 to UAH 1.00, USD 0.153 to DKK 1.00 and USD 1.138 to EUR 1.00.

The Ukrainian hryvnia is not a convertible currency outside Ukraine and, accordingly, any conversion of UAH amounts into USD should not be construed as a representation that UAH amounts have been, could be, or will be in the future, convertible into USD at the exchange rates shown, or any other exchange rates.

(d) Critical accounting estimates and judgments in applying accounting policies

The preparation of the consolidated financial statements in conformity with IFRSs as adopted by the European Union requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses and the disclosure of contingent assets and liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

Fair value of property, plant and equipment. Property, plant and equipment, except for leasehold improvements, are measured at revalued amounts, being the fair value at the date of the revaluation, which is based on the results of an independent appraisal, less any subsequent accumulated depreciation and accumulated impairment losses. The methods used to estimate fair value are the market approach and depreciated replacement cost. Estimating the fair value of property, plant and equipment requires the exercise of judgment and the use of assumptions regarding comparability of properties, discount rates, and other factors.

The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on quoted market prices for similar items.

When no quoted market prices are available, the fair value of property, plant and equipment is primarily determined using depreciated replacement cost. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economical depreciation, and obsolescence.

Impairment of trade accounts receivable. Management first assesses whether objective evidence of impairment exists for individually significant receivables. Factors taken into consideration include the collection history with the specific customer, the timeliness of repayments and the current financial conditions of the customer. Management then assesses collectively receivables that are not individually significant receivables that are not individually impaired. Factors taken into consideration include delinquencies, historical loss experience and overall economic conditions. Should actual collections be less than management estimates, the Group would be required to record additional impairment expense.

Impairment of goodwill. Refer to note 9.

Net realizable value of inventories. Management estimates the necessity of write down of inventories to net realizable value taking into consideration the prices at which inventories may be sold at the reporting date. Should the cost of inventory not be fully recoverable, the Group would be required to record expenses to adjust inventory to net realisable value.

Fair value of biological assets. Management estimates the fair value of biological assets by reference to quoted prices in an active market less costs to sell, as defined by International Financial Reporting Standard IAS 41 *Agriculture*.

Fair value of agricultural produce. Management estimates the fair value of agricultural produce by reference to quoted prices in an active market, as defined by International Financial Reporting Standard IAS 41 *Agriculture*. In addition, point-of-sale costs at the point of harvest are estimated and deducted from the fair value. The fair value less point-of-sale costs becomes the carrying value of inventories at the date of harvesting.

(e) Going concern

These consolidated financial statements have been prepared on a going concern basis, which contemplates realisation of assets and the satisfaction of liabilities in the normal course of business.

The Group incurred a net loss for the year ended 31 December 2015 amounting to USD 7,087 thousand. The Group's current liabilities exceed current assets as at 31 December 2015 by USD 11,349 thousand, mainly as a result of the reclassification of long-term loans to short-term loans following breaches of certain covenants allowing the bank to demand immediate repayment of loans.

Management undertakes the following measures in order to ensure the Group's continued operation on a going concern basis:

- In 2015 the Group started negotiations with Unicredit Bank regarding the possibility of restructuring and prolongation of loans, which were initially due in May 2015 to July 2018.
- The Group assesses the possibility to attract investment financing either from the shareholders or from external investor.
- The Group uses financing by its customer VA Intertrading for covering its liquidity gap in spring time for cultivating the agricultural products.

Management acknowledges that a material uncertainty remains over the Group's ability to meet its funding requirements and to refinance or repay its banking facilities as they fall due. However, as described above, management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. If for any reason the Group is unable to continue as a going concern, then this could have an impact on the Group's ability to realise assets at their recognised values, in particular goodwill and other intangible assets and to extinguish liabilities in the normal course of business at the amounts stated in consolidated financial statements.

3 Significant accounting policies

The significant accounting policies applied in the preparation of the consolidated financial statements are described below. They have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

i. Subsidiaries

Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed, or has rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary that is a joint stock company are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

ii. Transactions eliminated on consolidation

Intra-group balances, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currencies

i. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

ii. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to USD which is the presentation currency of the Group at exchange rates at the reporting date. The income and expenses of foreign operations are translated to USD at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

i. Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses. Investments in equity securities that are not quoted on a stock exchange are principally valued using valuation techniques such as discounted cash flow analysis, option pricing models and comparisons to other transactions and instruments that are substantially the same. Where fair value cannot be reliably measured, investments are stated at cost less impairment losses.

ii. Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

iii. Derivative financial instruments

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised immediately in profit or loss.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

iv. Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in additional paid-in capital.

(d) Property, plant and equipment

i. Owned assets

As at 31 December 2015, property, plant and equipment and construction in progress, except for leasehold improvements, are carried at revalued amount, representing fair value less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Construction in progress is not depreciated. Management believes that stating property, plant and equipment at revalued amounts results in a more reliable presentation of property, plant and equipment because of the rapidly changing market for agricultural property in Ukraine. Management also believes that stating other items of property, plant and equipment at revalued amounts more reliably reflects their values. As at 31 December 2015, leasehold improvements are stated at cost less accumulated depreciation and impairment losses.

Revaluations of property, plant and equipment are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

A revaluation increase of property, plant and equipment is recognised in other comprehensive income, except to the extent that it reverses a previous revaluation decrease recognised in profit or loss, in which case it is recognised in profit or loss. A revaluation decrease on property, plant and equipment is recognised in profit or loss except to the extent that it reverses a previous revaluation increase recognised directly in other comprehensive income, in which case it is recognised directly in other comprehensive income. When a revalued asset is sold or retired, the amount included in the revaluation reserve is transferred to retained earnings.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within "other income and expenses" in profit or loss.

ii. VAT on acquisition of property, plant and equipment

VAT on acquisition of property, plant and equipment represents non-recoverable tax incurred on acquisition of items of property, plant and equipment, which is amortised over the useful life of the item. As at 31 December 2015 and 2014, VAT on acquisition of property, plant and equipment relates only to AF and AFIL.

iii. Subsequent expenditure

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

iv. Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Depreciation commences on the date of acquisition, or, in respect of internally constructed assets, from the time an asset is completed and ready for use.

The estimated useful lives for the current and comparative periods are as follows:

Building systems and related infrastructure	10 - 30 years
Leasehold improvements	7 years or lease term, if shorter
Production equipment	7 years
Motor vehicles	7 years
Office equipment and furniture	4 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(e) Intangible assets

i. Goodwill

Goodwill that arises on the acquisition of subsidiaries is included in intangible assets.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss. Subsequently goodwill is measured at cost less accumulated impairment losses.

ii. Land lease rights

Land lease rights acquired in business combinations are recognised at their fair values. Subsequent to acquisition, these intangible assets are stated at cost less accumulated amortisation and impairment losses.

iii. Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The capitalised expenditure includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

iv. Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

v. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

vi. Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(f) Leased assets

Assets held by the Group under leases that transfer to the Group substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's statement of financial position.

(g) Impairment

i. Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

ii. Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, biological assets and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the group of cash generating units that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the cash generating unit to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an equity accounted investee is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an equity accounted investee is tested for impairment as a single asset when there is objective evidence that the investment in an equity accounted investee may be impaired.

(h) Inventories

Inventories are stated at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the weighted average method including expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

(i) Crop investments

Crop investments represent seeds, fertilisers and land cultivation to prepare for the subsequent growing season and are stated at cost less impairment losses.

(j) Agricultural produce

Agricultural produce harvested from biological assets is measured at fair value less estimated point-of-sale costs at the point of harvest. Such measurement becomes the carrying value of agricultural produce held in inventories.

(k) Biological assets

Biological assets are crop-bearing fields, living animals or plants and are measured at fair value less costs to sell, with any change therein recognized in profit or loss. When the fair value cannot be measured reliably at the date of initial recognition, the asset is stated at cost less any accumulated depreciation and impairment losses. If fair value subsequently becomes reliably measurable, then the asset is measured at fair value less costs to sell.

Costs to sell include commissions to brokers and dealers, levies by regulatory agencies and commodity exchange, and transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get the assets to a market.

(l) Employee benefits

The Group makes contributions for the benefit of employees to the State Fiscal Authorities of Ukraine that are responsible for administration of such benefits. Those amounts comprise defined contribution plans and are recognised as an employee benefit expense in profit or loss, when they are due. The Group has no further payment obligations once the contributions have been paid. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available. The Group has no other liabilities in respect to pensions or employee retirement benefits.

In addition, a liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(n) Taxation

i. Unified agricultural tax

Certain companies of the Group, registered in Ukraine and involved in agricultural activity, are registered as payers of unified agricultural tax (UAT). UAT is calculated as a certain percentage of the deemed value of all land plots leased or owned by a taxpayer, as determined by the state authorities, and is paid in lieu of corporate income tax, land tax, duties for special use of water objects, municipal tax, vehicle tax, duties for geological survey works and duties for trade patents. To qualify for UAT, the exempt entities must be involved in agricultural production activities and sales of own agricultural production must be not less than 75% of the total sales of the entity.

ii. VAT

Privileged VAT regime in Ukraine

Certain companies of the Group are eligible for a privileged VAT regime, whereby they are permitted to retain the difference between the amount of VAT that they charge on sales of own produced agricultural products and the amount of VAT payable on purchases of goods and services for their agricultural operations. As these subsidiaries are in a position to prove that all condition precedents for the above privileged VAT regime are met at the time revenues/purchases are recorded in the books, the net VAT liability/(refund) is recognised as income/(expenses) in the period of its origination and presented within other income (expenses) in the consolidated statement of profit or loss and other comprehensive income on the net basis.

On 24 December 2015, further amendments to the Tax Code of Ukraine were adopted by the Parliament of Ukraine. In accordance with the amendments, the special VAT regime for agricultural companies involved in production of grain and oilseeds will be discontinued from 1 January 2017, with a transitional period during 2016, during which the companies subject to the regime shall retain 15% of their VAT liabilities, and shall pay 85% to the state authorities.

The agricultural entities of the Group recognise revenues and purchases on a gross basis, i.e. including VAT charged/paid, because these entities have no obligation to remit VAT related to agricultural business to the state budget, are not entitled to VAT refund if VAT paid on purchases exceeds VAT charged on sales, are in a position to prove that all condition precedents for the above privileged VAT regime are met at the time revenues/purchases are recorded in the books, and have developed and implemented accounting procedures to enable separate accounting for VAT related to agricultural and non-agricultural businesses.

iii. Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised in other comprehensive income.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity. A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) Revenue recognition

i. Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfers of risks and rewards varies depending on the individual terms of the contract of sale but usually occurs on delivery to the customer or to the customer's agent.

ii. Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

iii. Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission earned by the Group.

iv. Government grants

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

(p) Expenses

Expenses are accounted for on an accrual basis.

(q) Operating leases

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized in profit or loss as an integral part of the total lease payments made.

(r) Prepaid lease expense

The payments made by the Group on entering into or acquiring land lease rights represent prepaid lease expenses that are amortized over the lease term in accordance with the expected pattern of consumption of the economic benefits embodied in the land lease rights.

(s) Finance cost

Net finance cost comprises interest expense on borrowings and foreign currency losses. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. The interest expense component of finance lease payments is recognized in profit or loss using the effective interest method.

4 New standards and interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2015, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations:

- IFRS 9 Financial Instruments (*) was issued in July 2014 and is intended ultimately to replace International Financial Reporting Standard IAS 39 Financial Instruments: Recognition and Measurement. The Group recognises that the new standard introduces many changes to the accounting for financial instruments. However it is unlikely to have a significant impact on Group's consolidated financial statements. IFRS 9 is expected to be endorsed by the European Union ("EU") before the IASB effective date, which is 1 January 2018. The Group does not intend to adopt this standard early.

- IFRS 15 Revenue from Contracts with Customers (*) will be effective for annual periods beginning on or after 1 January 2017. IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. IFRS 15 is expected to be endorsed by the European Union ("EU") before the IASB effective date, which is 1 January 2018. The Group does not intend to adopt this standard early.

IFRS 16 Leases was issued in January 2016 and provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The Group does not intend to adopt this standard early.

Various Improvements to IFRSs have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect for annual periods beginning after 1 January 2016. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

The Group is currently analysing the likely impact of the adoption of the standards mentioned above on its consolidated financial position or performance.

(*) - These new standards and amendments are not yet endorsed by the European Union.

5 Corresponding figures - correction of error

During the year ended 31 December 2015, the Group's management identified and corrected prior period error of USD 650 thousand related to translation of loans and borrowings denominated in foreign currencies. International Financial Reporting Standard IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* requires that prior period errors are corrected by restating the opening balances of assets, liabilities and equity for the earliest period presented. Management corrected this error by adjusting the respective balances as at 31 December 2014, balances as at 31 December 2013 were not affected by the identified error.

(a) Summary of quantative impacts

The effect of the correction of error on the consolidated statement of financial position as at 31 December 2014 is as follows:

<i>(in thousands of US Dollars)</i>	Impact of correction of error		
	31 December 2014, as previously reported	Impact of correction of error	31 December 2014, as restated
31 December 2014			
Non-current liabilities			
Loans and borrowings	493	389	882
Current liabilities			
Loans and borrowings	9,960	261	10,221
Equity			
Retained earnings (accumulated deficit)	(13,993)	(650)	(14,643)

The effect of the correction of error on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014 is as follows:

<i>(in thousands of US Dollars)</i>	Impact of correction of error		
	2014, as previously reported	Impact of correction of error	2014, as restated
For the year ended 31 December 2014			
Finance costs	(14,982)	(650)	(15,632)

6 Property, plant and equipment

Movements in property, plant and equipment for the year ended 31 December 2015 are as follows:

	Building systems and related infrastructure	Leasehold improvements	Production equipment	Motor vehicles	Office equipment and furniture	Construction in progress	VAT on acquisition of property, plant and equipment	Total
<i>(in thousands of US Dollars)</i>								
Cost or revalued amount at 1 January 2015	10,828	289	5,362	2,472	55	-	759	19,765
Additions	31	-	183	12	-	-	-	226
Disposals	-	-	(91)	(14)	-	-	(6)	(111)
Revaluation	1,637	-	935	676	(8)	-	-	3,240
Currency translation difference	(3,716)	(99)	(1,838)	(847)	(19)	-	(260)	(6,779)
Cost or revalued amount at 31 December 2015	8,780	190	4,551	2,299	28	-	493	16,341
Accumulated depreciation at 1 January 2015	-	289	-	-	-	-	461	750
Depreciation charge	305	-	569	501	13	-	57	1,445
Disposals	-	-	(11)	(2)	-	-	-	(13)
Currency translation difference	(28)	(99)	(51)	(46)	(2)	-	(163)	(389)
Revaluation	(277)	-	(507)	(453)	(11)	-	-	(1,248)
Accumulated depreciation at 31 December 2015	-	190	-	-	-	-	355	545
Net book value at 31 December 2015	8,780	-	4,551	2,299	28	-	138	15,796

Movements in property, plant and equipment for the year ended 31 December 2014 are as follows:

	Building systems and related infrastructure	Leasehold improve-ments	Production equipment	Motor vehicles	Office equipment and furniture	Construction in progress	VAT on acquisition of property, plant and equipment	Total
<i>(in thousands of US Dollars)</i>								
Cost or revalued amount at 1 January 2014	15,224	546	9,847	1,375	167	-	1,432	28,591
Additions	5	2	116	39	3	14	6	185
Disposals	-	-	(17)	(19)	(1)	-	(3)	(40)
Revaluation	2,797	-	1,389	336	(36)	-	-	4,486
Transfers	14	-	(1,396)	1,396	-	(14)	-	-
Currency translation difference	(7,212)	(259)	(4,577)	(655)	(78)	-	(676)	(13,457)
Cost or revalued amount at 31 December 2014	10,828	289	5,362	2,472	55	-	759	19,765
Accumulated depreciation at 1 January 2014	1,444	538	3,829	679	92	-	712	7,294
Depreciation charge	356	8	780	105	15	-	115	1,379
Disposals	-	-	(8)	(13)	(1)	-	(1)	(23)
Currency translation difference	(770)	(257)	(1,999)	(344)	(47)	-	(365)	(3,782)
Revaluation	(1,030)	-	(2,602)	(427)	(59)	-	-	(4,118)
Accumulated depreciation at 31 December 2014	-	289	-	-	-	-	461	750
Net book value at 31 December 2014	10,828	-	5,362	2,472	55	-	298	19,015

(a) Revaluation in 2015 and 2014

The Group's property, plant and equipment and construction in progress, are stated at their revalued amounts, being the fair value at the date of last revaluation, less subsequent accumulated depreciation and impairment losses. In 2015 and 2014, management engaged an independent appraiser to assess the fair value of property, plant and equipment as at 31 December 2015 and 2014.

The fair value measurement of the Group's property, plant and equipment has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

The fair value of the major part of property, plant and equipment had been determined using cost approach. This approach reflects the cost to a market participant to purchase or construct the comparable asset, adjusted for physical, functional or economical depreciation, and obsolescence. Cost approach was based on internal sources and analysis of the Ukrainian and international markets for similar property, plant and equipment. Significant unobservable inputs used in the cost approach determination are as follows:

As at 31 December 2015

Unobservable inputs	Range of unobservable inputs (average)	Relationship of unobservable inputs to fair value
Domestic construction-assembly work index in Ukraine (CAW)	1.00 – 1.03	Significant increases (decreases) in estimated CAW index in isolation would result in a significantly higher (lower) fair value.
Producer-prices index (PPI) in the country of production (Ukraine-Europe)	1.00 – 1.06	Significant increases (decreases) in estimated PPI in isolation would result in a significantly higher (lower) fair value.

As at 31 December 2014

Unobservable inputs	Range of unobservable inputs (average)	Relationship of unobservable inputs to fair value
Domestic construction-assembly work index in Ukraine (CAW)	1.00 – 1.17	Significant increases (decreases) in estimated CAW index in isolation would result in a significantly higher (lower) fair value.
Producer-prices index (PPI) in the country of production (Ukraine-Europe)	1.01 – 1.24	Significant increases (decreases) in estimated PPI in isolation would result in a significantly higher (lower) fair value.

The fair value of non-specialised in nature property, plant and equipment had been determined using market comparable approach that reflects recent transaction prices for comparable assets.

In addition to the determination of the depreciated replacement cost, cash flow testing was conducted in order to assess the reasonableness of those values, which did not result in depreciated replacement cost values being decreased in arriving at the fair value as at 31 December 2015 and 2014.

(b) Reconciliation of revaluation results

As at 31 December, the Group recognised the following results of revaluation of property, plant and equipment in these consolidated financial statements:

	2015	2014
Net gain on revaluation recognised in other comprehensive income (before income tax)	4,478	8,804
Net gain (loss) recognised in other income and expense	10	(200)
Net effect for the year	4,488	8,604
Presented as an increase in cost of property, plant and equipment	3,240	4,486
Presented as an reversal of accumulated depreciation and impairment losses	1,248	4,118
Net effect for the year	4,488	8,604

(c) Assets pledged as collateral

Refer to note 14.

7 Prepaid lease expenses

The movement in prepaid lease expenses was as follows:

(in thousands of US Dollars)

	2015	2014
Cost		
At 1 January 2015	120	179
Additions	-	36
Foreign currency translation difference	(38)	(95)
At 31 December 2015	82	120
Amortization and impairment losses		
At 1 January 2015	(43)	(67)
Amortization charge	(12)	(18)
Foreign currency translation difference	20	42
At 31 December 2015	(35)	(43)
Net book value at 1 January 2015	77	112
Net book value at 31 December 2015	47	77

8 Biological assets

Biological assets as at 31 December are as follows:

<i>(in thousands of US Dollars)</i>	2015	2014
Non-current biological assets		
Livestock	20	21
Current biological assets		
Livestock	42	39
Crops	132	147
	174	186
	194	207

Non-current biological assets are represented by livestock which include mainly pigs held for breeding. Current biological assets are represented by winter crops and livestock.

As at 31 December livestock is as follows:

<i>(in thousands of US Dollars)</i>	2015	2014
Pigs	62	59
Horses	-	1
	62	60

(a) Crops

	2015		2014	
	Hectares	Carrying amount	Hectares	Carrying amount
Winter wheat	859	132	888	147

During the year ended 31 December the physical output of harvested crops is as follows:

<i>(in tonnes)</i>	2015	2014
Corn	21,874	17,078
Soybeans	6,179	10,182
Wheat	3,950	3,796
Sunflower	2,698	-
Grass	249	241
	34,950	31,297

(b) Livestock

The fair value of current and non-current livestock is allocated to units of livestock as follows:

	2015		2014	
	Number of units	Carrying amount	Number of units	Carrying amount
Non-current livestock	147	20	145	21
Current livestock	1,095	42	866	39
	<u>1,242</u>	<u>62</u>	<u>1,011</u>	<u>60</u>

Biological assets include various livestock as at 31 December:

<i>Heads</i>	2015	2014
Non-current		
Sows	142	136
Boars	5	6
Horses	-	3
	<u>147</u>	<u>145</u>
Current		
Pigs	1,095	866
	<u>1,095</u>	<u>866</u>
	<u>1,242</u>	<u>1,011</u>

(c) Movements in biological assets

The following represents the changes during the year ended 31 December in the carrying amounts of biological assets:

(in thousands of US Dollars)

	2015		2014	
	Livestock	Crops	Livestock	Crops
Balance at the beginning	60	147	1,988	365
Purchases and investments in livestock and future crops	175	4,589	1,137	4,553
Change in fair value less estimated costs to sell	(38)	2,383	(217)	2,118
Decrease due to sales	(110)	-	(2,095)	-
Decrease due to harvest	-	(6,937)	-	(6,780)
Currency translation difference	(25)	(50)	(753)	(109)
Balance at the end of the period	<u>62</u>	<u>132</u>	<u>60</u>	<u>147</u>

(d) Fair value determination

The following table shows the valuation techniques and significant unobservable inputs used in measuring fair values of crops:

Valuation technique and key assumption	Significant unobservable inputs (level 3 inputs of fair value hierarchy)	Inter-relationship between unobservable inputs and fair value measurement
<p>Projected cash flows: The valuation model considers the net cash flows expected to be generated by crops.</p> <p>Cash inflows are projected based on the estimated prices for crops and crops' yields, which are determined based on several factors including location of farmland, environmental conditions, historical yields and other restrictions and growth at the time of measurement. The expected fair value losses are recognised immediately.</p>	<p>Estimated net yields, tonnes per hectare:</p> <p>winter wheat 4.68 (31 December 2014: 5.15 - 5.71)</p> <p>Estimated average production costs, USD per ha:</p> <p>winter wheat 438-484 (including VAT) (31 December 2014: 459-531)</p>	<p>The reasonably possible changes in key assumptions and unobservable inputs used to estimate the fair values of biological assets would have the following effect:</p> <ul style="list-style-type: none"> - 10% increase/decrease in estimated yields for crops will result in USD 4 thousand increase/decrease of the crops fair value (31 December 2014: USD 17 thousand increase/decrease); - 5% increase/decrease in future production costs will result in USD 3 thousand decrease/increase of the crops fair value (31 December 2014: USD 5 thousand decrease/increase);
<p>Prices for crops are obtained from state statistical reports or other public sources as at the end of the reporting period and reflect market expectations regarding such prices at the point of harvest. Production costs and costs to sell are projected based on actual operating costs.</p>	<p>Estimated future market prices (net of logistic costs), USD per tonne of:</p> <p>winter wheat 178 (including VAT) (31 December 2014: 131)</p>	<ul style="list-style-type: none"> - 10% increase/decrease in estimated future market price for crops will result in USD 9 thousand increase/ decrease of the fair value (31 December 2014: USD 17 thousand increase/ decrease).

The fair value of the livestock is estimated based on the market prices as at the end of the reporting period (Level 2 inputs of fair value hierarchy). Various market data is collected from published information, catalogues, statistical data, etc.

(e) Risk management in the agricultural business

The Group is exposed to a number of risks related to its biological assets.

i. Supply and demand risk

The Group is exposed to risks arising from fluctuations in the price and sales volume of grains and feeds. When possible the Group manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses to ensure that the Group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

ii. Climate and other risks

Biological assets are exposed to the risk of damage from climatic changes, diseases, fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular field and farm inspections and industry pest and disease surveys.

iii. Regulatory and environmental risks

Operations are subject to laws and regulations adopted in Ukraine. The Group has established environmental policies and procedures aimed to comply with Ukrainian environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

9 Crop investments

Investments in future crops represent fertilisers and land cultivation to prepare for the subsequent growing season. The components of crop investments cost as at 31 December are as follows:

<i>(in thousands of US Dollars)</i>	2015	2014
Fuel and lubricants	132	268
Fertilizers, pesticides and herbicides	127	91
Land lease	142	65
Labor	23	10
Repairs	40	2
Other	7	44
Total crop investments	471	480

10 Goodwill

<i>(in thousands of US Dollars)</i>	2015	2014
Balance at the beginning of the year	756	1,458
Foreign currency translation adjustments	(239)	(702)
Balance at the end of the year	517	756

As at 31 December 2015 and 2014, goodwill was tested for impairment and was found not to have been impaired. In assessing impairment for goodwill management used the present value of future estimated cash flows from continuing use which was based on the following key assumptions:

- Cash flows were projected based on past experience, actual operating results and the five-year business plan in both 2015 and 2014.
- The anticipated annual revenue growth included in the cash flow projections for the years 2015 to 2019 is 13% (2014: 12%).
- A pre-tax discount rate of 26.7% (2014: 24.12%) was applied for determination of the present value of future cash flows. The discount rate was estimated based on past experience, and industry weighted average cost of capital.

The values assigned to the key assumptions represent management's assessment of future trends in the agriculture and are based on both external and internal sources.

The above estimates are particularly sensitive in the following areas:

- an increase of one percentage point in the discount rate used would decrease values in use by approximately USD 457 thousand as at 31 December 2015 and no impairment loss would occur.
- a decrease of one percentage point in future projected revenues would decrease values in use by approximately USD 1,015 thousand as at 31 December 2015 and no impairment loss would occur.

11 Inventories

Inventories as at 31 December are as follows:

<i>(in thousands of US Dollars)</i>	2015	2014
Soybeans	1,079	1,329
Corn	1,588	287
Equipment imported for resale	275	454
Animal fodder and related products	234	471
Raw materials	209	155
Spare parts, bags and tools	155	554
Other	859	1,610
Total inventories	4,399	4,860

As at 31 December 2015, inventories carried at fair value less costs to sell determined at the point of harvest comprise USD 2,667 thousand (31 December 2014: USD 2,181 thousand).

In 2015 raw materials, consumables and changes in finished goods and work in progress recognized in cost of sales amount to USD 7,079 thousand (2014: USD 14,497 thousand).

12 Trade and other receivables

Trade and other receivables as at 31 December are as follows:

<i>(in thousands of US Dollars)</i>	2015	2014
Receivables from related Parties	254	368
Trade and other receivables	227	1,243
VAT receivable	204	291
	685	1,902
Allowance for doubtful receivables	(58)	(85)
Total trade and other receivables	627	1,817

The movement in the allowance for impairment in respect of trade and other receivables during the year is as follows:

<i>(in thousands of US Dollars)</i>	2015	2014
Balance at 1 January	85	312
Impairment loss recognised	35	19
Reversal of loss recognised	(35)	(113)
Foreign currency translation adjustment	(27)	(133)
Balance at 31 December	58	85

Changes in collection estimates can affect the impairment losses recognised. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus one percent, the provision for impairment as at 31 December 2015 would be approximately USD 6 thousand lower/higher (31 December 2014: USD 18 thousand).

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 25.

13 Equity

As at 31 December 2015 and 2014, the authorised, issued and paid-in share capital comprises 1,000,000 ordinary shares at par value \$0.175.

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at annual and general shareholder meetings of the Company. The maximum dividends payable are restricted to the retained earnings of the Company determined in accordance with legislation in Denmark. No dividends were declared in 2015 or 2014.

14 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currencies and liquidity risk, see note 25.

	Currency	Nominal interest rate	Effective interest rate	Maturity year	2015	2014 (restated)
<i>(in thousands of US Dollars)</i>						
Non-current liabilities						
Subordinated loan from related party (AG Developers)	USD	11.00%	11.00%	2018	1,529	1,806
Finance lease liability (UniCredit leasing)	USD	12.80% - 15.40%	14.08%	2017	242	578
Finance lease liability (Raiffeisen Aval Leasing)	USD	12.00%	13.08%	2018	219	304
Total Non-Current Liabilities					<u>1,990</u>	<u>2,688</u>

	Currency	Nominal interest rate	Effective interest rate	Maturity year	2015	2014 (restated)
<i>(in thousands of US Dollars)</i>						
Current Liabilities						
Secured bank loan (UniCredit Bank)	USD	12 month LIBOR + 8.25%	10.00%	2016	8,346	7,908
Loans classified as current due to breach of covenants (UniCredit Bank)	USD	12 month LIBOR + 8%	10.00%	2018	2,374	3,580
Current portion of finance lease liabilities (UniCredit Leasing)	USD	12.80% - 15.40%	14.08%	2016	334	345
Current portion of loan from Investment Fund (Danish) for Central and Eastern Europe	EUR	variable at LIBOR + 4.00%	5.01%	2015	441	472
Secured bank loan (Credit Agricole)	USD	10.00%	10.00%	2015	-	212
Current portion of finance lease liabilities (Raiffeisen Aval Leasing)	USD	12.00%	13.08%	2016	85	110
Secured loan (VA Intertrading)	USD	10.00%	10.00%	2015	-	1,141
Secured bank loan (Credit Agricole)	USD	9.00%	9.00%	2015	-	33
Principal and interest payable on subordinated loan to AG Developers LLC	USD			on demand	1,172	817
Total Current Liabilities					<u>12,752</u>	<u>14,618</u>

As at 31 December 2015, the terms and debt repayment schedule of loans and borrowings are as follows:

<i>(in thousands of US Dollars)</i>	Within one year	From one to five years	More than five years	Total
Loans from related parties	1,172	1,529	-	2,701
Other loans and borrowings	11,580	461	-	12,041
Total	12,752	1,990	-	14,742

As at 31 December 2014, the terms and debt repayment schedule of loans and borrowings are as follows:

<i>(in thousands of US Dollars)</i>	Within one year	From one to five years	More than five years	Total
Loans from related parties	817	1,806	-	2,623
Other loans and borrowings (restated)	13,801	882	-	14,683
Total	14,618	2,688	-	17,306

(a) Breach of loan covenants

The agreements with the major creditors of the Group contain a number of covenants and restrictions.

As at 31 December 2015, the Group did not comply with the following major loan covenants stated in the loan agreement with UniCredit Bank regarding ratio compliance:

- positive net result for the period
- borrowings to EBITDA ratio should not be greater than 3.00
- EBITDA to interest expenses ratio should not be less than 3.00.

This gave the right to the bank to demand immediate repayment of the loans amounting to USD 10,720 thousand. Accordingly, these loans are presented as payable on demand in these consolidated financial statements. However, management believes that the bank will not demand early repayment of the loans in 2016.

As at 31 December 2015 principal on loan from Investment Fund (Danish) for Central and Eastern Europe in amount of USD 441 thousand and principal and interest payable on subordinated loan to AG Developers LLC in amount of USD 1,172 thousand are overdue.

(b) Finance lease liabilities

Finance lease liabilities as at 31 December are payable as follows:

<i>(in thousands of US Dollars)</i>	2015		Present value of minimum lease payments
	Future minimum lease payments	Interest	
Less than one year	514	95	419
Between one and five years	520	59	461
Total	1,034	154	880

	2014		
<i>(in thousands of US Dollars)</i>	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	537	82	455
Between one and five years	1,037	155	882
Total	1,574	237	1,337

15 Trade and other payables

Trade and other payables as at 31 December are as follows:

Trade and other payables to non-related parties

	2015	2014
<i>(in thousands of US Dollars)</i>		
Trade accounts payable	1,415	1,052
Salary and related charges	85	93
Provision for unused vacations	47	69
Total trade and other payables to non-related parties	1,547	1,214

Trade and other payables to related parties

	2015	2014
<i>(in thousands of US Dollars)</i>		
Payable to David D. Sweere & Sons International Ltd	988	187
Other payables	252	102
Total trade and other payables to related parties	1,240	289

The Group's exposure to currency and liquidity risks related to trade and other payables is disclosed in note 25.

16 Revenues

Revenues for the year ended 31 December are as follows:

	2015	2014
<i>(in thousands of US Dollars)</i>		
Feed	3,503	9,212
Soybean cake sales	2,922	2,437
Crop sales	2,600	2,035
Soybean oil sales	757	1,029
Grain	431	2,625
Livestock sales	112	2,701
Concentrate	73	155
Elevator services	63	668
Tolling services	61	140
Flour and pasta	9	87
Other revenues	750	1,893
Total revenues	11,281	22,982

17 Cost of sales

Cost of sales for the year ended 31 December is as follows:

<i>(in thousands of US Dollars)</i>	2015	2014
Feed	3,317	8,326
Soybean cake sales	2,872	2,434
Crop sales	2,090	1,641
Grain	402	2,697
Soybean oil sales	605	720
Livestock sales	143	2,306
Concentrate	69	99
Tolling services	40	14
Elevator services	39	254
Flour and pasta	10	79
Other	786	1,988
Total cost of sales	10,373	20,558

Management analyses the cost of livestock sales taking into account the actual costs of raising the livestock. Increases in the fair value that occur while the livestock matures but before it is sold is recorded as other income, or as a separate line item in profit or loss.

18 Administrative expenses

Administrative expenses for the year ended 31 December are as follows:

<i>(in thousands of US Dollars)</i>	2015	2014
Salary and related charges	1,037	1,215
Professional and consulting services	478	351
Bank charges	43	117
Maintenance and utilities	20	111
Operational lease expense	27	74
Communication	29	61
Charges and duties	46	20
Other	87	114
Total administrative expenses	1,767	2,063

Salary and related charges are comprised of the following items:

<i>(in thousands of US Dollars)</i>	2015	2014
Domestic	356	878
Foreign	681	337
Total salary and related charges	1,037	1,215

19 Personnel costs

Personnel costs for the year ended 31 December are as follows:

<i>(in thousands of US Dollars)</i>	<u>2015</u>	<u>2014</u>
Cost of production	494	1,373
Administrative expenses	1,037	1,215
Distribution expenses	223	502
Other expenses	12	-
	<u>1,766</u>	<u>3,090</u>

20 Finance costs

Finance costs for the year ended 31 December is as follows:

<i>(in thousands of US Dollars)</i>	<u>2015</u>	<u>2014</u> (restated)
Foreign exchange loss	6,141	13,717
Interest on secured bank loan	1,276	1,572
Interest on subordinated loan from a related party AG Developers LLC	167	179
Interest on commercial loan	13	140
Interest on loan from Investment Fund for Central and Eastern Europe	20	22
Interest due to David D. Sweere & Sons International Ltd	13	-
Other	-	2
Finance cost	<u>7,630</u>	<u>15,632</u>

21 Income tax expense

The statutory income tax rate in Denmark is 25% for 2015 and 2014. According to effective tax legislation in Ukraine, during the year ended 31 December 2015 and 2014, the Group's companies having the status of Corporate Profit Tax (the 'CPT') payers in Ukraine were subject to income tax at 18%.

The components of income tax expense (benefit) for the year ended 31 December are as follows:

<i>(in thousands of US Dollars)</i>	<u>2015</u>	<u>2014</u>
Current tax expense	-	-
Deferred tax expense / (benefit)	(144)	(1,087)
Total income tax expense / (benefit)	<u>(144)</u>	<u>(1,087)</u>

(a) Effective income tax reconciliation

The difference between the total expected income tax expense computed by applying the statutory income tax rate to profit/(loss) before income tax and the reported income tax expense for the year ended 31 December is as follows:

<i>(in thousands of US Dollars)</i>	2015			2014		
	Companies subject to income tax	Companies not subject to income tax	Total	Companies subject to income tax	Companies not subject to income tax	Total
Profit (loss) before income tax	(4,212)	(3,019)	(7,231)	(8,477)	(5,399)	(13,876)
Income tax at applicable tax rate	(758)	-	(758)	(1,526)	-	(1,526)
Effect of changes in deferred tax realization pattern	-	-	-	257	-	257
Change in unrecognized deferred tax asset	286	-	286	-	-	-
Non-deductible items	328	-	328	182	-	182
Income tax expense (benefit)	(144)	-	(144)	(1,087)	-	(1,087)

Unrecognised deferred tax assets are represented by excess of interest expense over the cap set by the Tax Code of Ukraine for interest on loans from related parties. Such excess might be utilized in full within capped amount of each subsequent period. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will result in relevant cap being sufficient to utilise the benefits.

(b) Recognised deferred tax assets and liabilities

Movements in deferred tax assets and liabilities for the year ended 31 December 2015 are as follows:

<i>(in thousands of US Dollars)</i>	Balance as at 1 January 2015, asset (liability)	Recognized in profit or loss, benefit (charge)	Recognized in other comprehensive income	Foreign currency translation	Balance as at 31 December 2015, asset (liability)
Property, plant and equipment	(1,758)	47	(530)	586	(1,655)
Advances received	-	(22)	-	-	(22)
Trade and other payables to non-related parties	-	(13)	-	-	(13)
Trade and other payables to related parties	-	101	-	-	101
Inventories	(18)	51	-	6	39
Tax losses carried forward	919	(7)	-	(306)	606
Trade and other receivables	32	(13)	-	(11)	8
Deferred tax liabilities	(825)	144	(530)	275	(936)

Movements in deferred tax assets and liabilities for the year ended 31 December 2014 are as follows:

<i>(in thousands of US Dollars)</i>	Balance as at 1 January 2014, asset (liability)	Recognized in profit or loss, benefit (charge)	Recognized in other comprehensive income	Foreign currency translation	Balance as at 31 December 2014, asset (liability)
Property, plant and equipment	(1,202)	(129)	(1,068)	641	(1,758)
Inventories	(37)	2	-	17	(18)
Prepayments made	(1)	-	-	-	-
Tax losses carried forward	-	1,225	-	(306)	919
Trade and other receivables	73	(11)	-	(30)	32
Deferred tax liabilities	(1,167)	1,087	(1,068)	323	(825)

22 EBITDA

The Group calculates EBITDA (Earnings before Interest, Tax, Depreciation and Amortization) as result from operating activities before tax, finance costs, adjusted for depreciation and amortization. The Group presents EBITDA because it believes that EBITDA is a useful measure for evaluation of its ability to generate cash and of its operating performance.

<i>(in thousands of US Dollars)</i>	2015	2014 (restated)
Loss before income tax	(7,231)	(13,876)
Net finance cost	7,630	15,632
Depreciation and amortization	1,445	1,409
EBITDA	1,844	3,165

23 Commitments

(a) Pledged assets

As at 31 December 2015, the value of fixed assets pledged as collateral is USD 10,310 thousand (31 December 2014: USD 12,509 thousand). Additionally, as at 31 December 2015 the Group pledged 3,020 tonnes of soybeans, 2,200 tonnes of corn, 400 tonnes of soybean cakes and 300 tonnes of combined feed with a carrying value of USD 1,499 thousand as a collateral.

(b) Operating leases

The Group leases land and store premises under operating lease agreements. The land is leased in the central regions of Ukraine for the purpose of commercial farming. The lease agreements are concluded with land owners for periods of 5-49 years. The lease agreements for store premises are concluded for periods of 1-3 years.

Future minimum lease payments under non-cancelable operating leases as at 31 December are as follows:

<i>(in thousands of US Dollars)</i>	2015	2014
Less than one year	662	802
From one to five years	1,962	2,631
More than five years	2,196	2,626
	4,820	6,059

Operating lease expenses for the year ended 31 December are as follows:

<i>(in thousands of US Dollars)</i>	2015	2014
Included in Cost of sales	589	1,022
Included in Distribution expenses	70	241
Included in Crop Investments	146	73
Included in Administrative expenses	38	27
	843	1,363

24 Contingencies

(a) Insurance

As at the reporting date, the production assets of the Group are insured for the amount of USD 8.4 million (31 December 2014: USD 10 million). However, the Group does not have full coverage for third party liability and in respect of environmental damage arising from accidents on property or relating to operations. Until the Group obtains adequate insurance coverage, there is a risk that it could have a material adverse effect on the Group's operations and financial position.

(b) Litigation

The Group is subject to legal actions and complaints in its ordinary course of business. As at 31 December 2015, the Group had ongoing litigations relating mainly to repayment of salary and remuneration to dismissed employees.

Management believes that it is unlikely that a significant settlement or loss of assets will arise out of such lawsuits and no respective provision is required in the Group's consolidated financial statements as of the reporting date.

(c) Taxation

The Group performs most of its operations in Ukraine and therefore within the jurisdiction of the Ukrainian tax authorities. The Ukrainian tax system can be characterized by numerous taxes and frequently changing legislation which may be applied retroactively, open to wide interpretation and in some cases are conflicting. Instances of inconsistent opinions between local, regional, and national tax authorities and between the Ministry of Finance and other state authorities are not unusual. Tax declarations are subject to review and investigation by a number of authorities that are enacted by law to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years, however under certain circumstances a tax year may remain open longer.

These facts create tax risks substantially more significant than typically found in countries with more developed systems. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

25 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of these risks, the objectives, policies and processes for managing and measuring risk. Further quantitative disclosures are included throughout these consolidated financial statements.

Management has overall responsibility for the establishment and oversight of the risk management framework.

The risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and activities.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to financial instruments fails to meet its contractual obligations, and arises principally from the receivables from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Management has no formal credit policy in place for customers, other than those working on a prepayment basis, and the exposure to credit risks is approved and monitored on an ongoing basis individually for all significant customers. The majority of the Group's customers have been transacting with the Group for over four years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Group's wholesale customers who are based in Ukraine.

The Group does not require collateral in respect of trade and other receivables.

The Group establishes a provision for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this provision are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet specifically identified. The collective loss provision is determined based on historical data of payment statistics for similar financial assets.

The carrying amount of financial assets represents the maximum credit risk exposure which as at 31 December is as follows:

<i>(in thousands of US Dollars)</i>	2015	2014
Receivables from related parties	254	368
Trade and other receivables	169	1,158
Cash and cash equivalents	92	339
Total	515	1,865

Cash and cash equivalents consist of current accounts held within foreign owned and domestic Ukrainian banks. As at 31 December 2015 and the date of these financial statements, there were neither restricted cash and cash equivalents nor cash held in banks under temporary administration of the National Bank of Ukraine. The credit ratings of banks at which cash and cash equivalents are held prepared by Fitch and Moody's corporations are presented below:

<i>(in thousands of US Dollars)</i>	2015	Fitch Rating	2014	Fitch Rating
Unicredit Bank	57	CCC	296	CCC
Privat Bank	7	CCC	5	CCC
Pravex Bank	1	CCC	5	CCC
Other banks	27		33	
Total	92		339	

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash and easily realisable commodity inventories on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The contractual maturities of non-derivative financial liabilities including interest payments and excluding the impact of netting agreements as at 31 December are as follows:

31 December 2015	Undiscounted maturities				
	Carrying amount	Contractual cash flow	Less than one year	From one to two years	More than two years
<i>(in thousands of US Dollars)</i>					
Subordinated loan from related party	2,701	3,133	1,346	940	847
Loans and borrowings	12,041	13,294	12,774	275	245
Trade accounts payable	1,415	1,415	1,415	-	-
Trade accounts payables to related parties	1,240	1,240	1,240	-	-
	<u>17,397</u>	<u>19,082</u>	<u>16,775</u>	<u>1,215</u>	<u>1,092</u>
31 December 2014	Undiscounted maturities				
	Carrying amount (restated)	Contractual cash flow (restated)	Less than one year (restated)	From one to two years (restated)	More than two years (restated)
<i>(in thousands of US Dollars)</i>					
Subordinated loan from related party	2,623	3,145	817	1,635	693
Loans and borrowings	14,683	15,098	14,064	514	520
Trade accounts payable	1,052	1,052	1,052	-	-
Trade accounts payables to related parties	289	289	289	-	-
	<u>18,647</u>	<u>19,584</u>	<u>16,222</u>	<u>2,149</u>	<u>1,213</u>

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

i. Foreign currency risk

The Ukrainian operating companies incur foreign currency risk on transactions that are denominated in currencies other than Ukrainian Hryvnia. The currencies giving rise to this risk are primarily the US Dollar and Euro.

Ukrainian legislation restricts the ability of Ukrainian companies to hedge their exposure to foreign currency risk, and, accordingly, the Group does not hedge its exposure to foreign currency exchange risk. However, prices for large share of the Group's goods are mainly linked to US dollar which reduces the US dollar currency risk.

The exposure to foreign currency risk is as follows:

(in thousands of US Dollars)

	2015		2014 (restated)	
	USD	EUR	USD	EUR
Current assets				
Cash and cash equivalents	30	-	35	-
Trade and other receivables	254	-	1,104	-
Non-current liabilities				
Subordinated loan from related party	(1,529)	-	(1,806)	-
Intercompany loans and borrowings	(1,846)	-	(1,871)	-
Loans and borrowings	(461)	-	(882)	-
Short-term liabilities				
Loans and borrowings	(11,139)	(441)	(13,329)	(472)
Subordinated loan from related party	(1,172)	-	(817)	-
Advances received	(1,754)	-	(97)	-
Intercompany loans and borrowings	(1,005)	-	(950)	-
Trade and other payables to non-related parties	(393)	-	(399)	-
Trade and other payables to related parties	(1,240)	-	(477)	-
Net short position	(20,255)	(441)	(19,489)	(472)

Although the intercompany loans and borrowings are eliminated at consolidation, the Group still bears the currency risk due to the cross-border nature of these loans and borrowings. The Ukrainian companies of the Group, which borrow from the Denmark-based Company, will be required by the Ukrainian law to purchase foreign currency in order to settle the amounts due to the Company.

A change of UAH exchange rates, as indicated below, against the USD at the reporting dates would have increased/(decreased) Group's loss before tax by the amounts presented below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of each reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the prior reporting date.

	Change in foreign currency rate		Effect on loss before tax	
	Increase	Decrease	Increase	Decrease
31 December 2015				
Change in USD exchange rate	15%	-15%	(3,038)	3,038
Change in EUR exchange rate	15%	-15%	(66)	66
31 December 2014 (restated)				
Change in USD exchange rate	30%	-30%	(5,847)	5,847
Change in EUR exchange rate	30%	-30%	(142)	142

ii. Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much exposure should be to fixed or variable rates. However, at the time of issuing new debt, management uses its judgment to decide whether it believes that a fixed or variable rate would be more favorable to the Group over the expected period until maturity.

The Group's fixed rate financial liabilities are disclosed in note 14. The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

The Group is exposed to interest rate risk from loans and borrowings taken at variable interest rates. The exposure to interest rate risk as at 31 December is as follows based on notional amounts:

<i>(in thousands of US Dollars)</i>	<u>Interest rate</u>	<u>2015</u>	<u>2014</u>
<i>Short-term liabilities</i>			
	variable at 12 month LIBOR + 8- 8.25%		
Unicredit Bank		10,720	11,488
Investment Fund (Danish) for Central and Eastern Europe	variable at LIBOR + 4%	441	472
Total exposure		<u>11,161</u>	<u>11,960</u>

An increase in interest rates of 100 basis points would have increased loss before tax by USD 112 thousand in 2015 (2014: USD 120 thousand).

(d) Capital management

The Group has no formal policy for capital management but management seeks to maintain a sufficient capital base for meeting the Group's operational and strategic needs and to maintain confidence of market participants. This is achieved with efficient cash management, constant monitoring of the Group's revenues and profit, and long-term investment plans. With these measures the Group aims for steady profits growth.

There were no changes to the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

26 Related parties

The Group sells goods and performs other transactions with related parties in the ordinary course of business. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party when making financial and operational decisions.

Related parties also comprise the shareholders of the Company, companies that are under common control with the Group, key management personnel and their close family members, members of the supervisory board and their close family members and companies that are controlled or significantly influenced by shareholders. Terms of transactions with related parties are established at the time of each transaction.

(a) Control relationships

The Company is jointly owned on a fifty-fifty basis by David D., Tamara Y. and Daniel D. Sweere, citizens of the United States of America (US Shareholders) through two companies, namely AG Developers ApS and Kyiv-Atlantic U.S. Ltd., and by Peter E. Hansen, Claus and Hans Ewers and Henrik Hoogaard (Danish shareholders) through the Danish Investment Company (DUI).

The Group does not have an ultimate controlling party.

(b) Key management remuneration

Remuneration of key management personnel is represented by short-term employee benefits which include domestic staff compensation amounting to USD 59 thousand for the year ended 31 December 2015 (2014: USD 87 thousand) and foreign staff compensation amounting to USD 681 thousand for the year ended 31 December 2015 (2014: USD 363 thousand).

(c) Transactions and balances with the shareholders

Balances and transactions with the shareholders as at and for the year ended 31 December are as follows:

<i>(in thousands of US Dollars)</i>	2015	2014
Statement of financial position		
Subordinated loan from related party (AG Developers LLC)	(1,529)	(1,806)
Interest payable on subordinated loan to AG Developers LLC	(1,172)	(817)
Accounts payable to DUI	(252)	(205)
Accounts receivable from DUI	211	233
Accounts receivable from AG Developers ApS	90	106
Statement of profit or loss and other comprehensive income		
Interest expense on loan from DUI	(13)	(10)
Interest expense on subordinated loan from related party (AG Developers LLC)	(167)	(179)

Details of subordinated loan from a related party (AG Developers LLC) are disclosed in note 14.

(d) Transactions and balances with other related parties

Balances and transactions with other related parties as at and for the year ended 31 December are as follows:

<i>(in thousands of US Dollars)</i>	2015	2014
Balances with other related parties		
Accounts receivable from Danam Farms	43	48
Accounts payable to David D. Sweere & Sons International Ltd	(988)	(187)
Transactions with other related parties		
Goods and services provided by David D. Sweere & Sons International Ltd	(1,080)	(763)

The terms of transactions with related parties are determined on a ongoing basis.

There is no contractual maturity for payables to related parties.

27 Estimation of fair value

Management believes that the fair value of the Group's financial assets and liabilities approximates their carrying amounts. In assessing fair values, management used the following major methods and assumptions:

Loans and borrowings. Expected future principal and interest cash flows were discounted at rates of between 9% and 23%. These rates were not materially different from the contractual interest rates.

Trade and other receivables and payables. For receivables and payables with a maturity of less than six months fair value is not materially different from the carrying amount because the effect of time value of money is not material.

28 Subsequent events

Subsequent to 31 December 2015, fixed assets of the Group in the amount of USD 790 thousand were pledged under the agreement of delivery of sunflower with "Suntrade", USD 1,318 thousand were pledged under the loan agreement with VA Intetrading, USD 253 thousand were pledged under the loan agreement with UniCredit Bank (JSC "UkrSotsBank").

Financial statements for the period 1 January - 31 December

Accounting policies

The separate financial statements of the parent company are part of the annual report because the Danish Financial Statements Act requires separate financial statements of the parent company.

The annual report of Atlantic Agro Holdings ApS for 2015 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 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.

Non-current assets acquired in foreign currencies are measured at the exchange rate at the transactions date.

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. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

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.

Other external costs

Other external costs comprise costs for administration, etc.

Profits/losses from investments in subsidiaries

The income statement includes the proportionate share of the profit or loss of each individual subsidiary after full elimination of intra-group gains/losses and deduction of amortisation of goodwill.

Financial income and expenses

Financial income and expenses comprise interest income and expense, charges in respect of finance leases, realised and unrealised 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.

Dividend from investments in subsidiaries is recognised in the income statement in the financial year when the dividend is declared.

Financial statements for the period 1 January - 31 December

Tax on profit/loss for the year

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.

Balance sheet

Investments

Investments in subsidiaries are measured under to the equity method.

Investments in subsidiaries are measured in the balance sheet at the proportionate share of the companies' net asset value calculated in accordance with the parent company's accounting policies plus or minus any unrealised intra-group gains and losses and plus any residual amount of goodwill.

Net revaluation of investments in subsidiaries is recognised under equity as "Reserve for net revaluation under the equity method" to the extent that the carrying amount exceeds cost.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses when there is an objective indication that a receivable 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.

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 the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are measured 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. Any deferred net assets are measured at net realisable values.

Deferred tax is measured according to 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. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Financial liabilities comprising amounts owed to credit institutions, trade payables and payables to group enterprises are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, financial liabilities are measured at amortised cost.

Other liabilities are measured at net realisable value.

Financial statements for the period 1 January - 31 December

Income statement

DKK'000		2015	2014
Note		<u>2015</u>	<u>2014</u>
	Revenue	0	0
	Raw materials, consumables and goods for resale	0	0
	Other external costs	-169	-171
	Operating profit/loss	-169	-171
	Share of profit/loss in subsidiaries after tax	-48,432	-75,224
2	Financial income	1,646	1,633
3	Financial expenses	-179	-135
	Profit/loss before tax	-47,134	-73,897
	Tax on profit/loss for the year	-469	0
	Profit/loss for the year	<u>-47,603</u>	<u>-73,897</u>
	Proposed profit appropriation/distribution of loss		
	Reserve for net revaluation under the equity method	3,965	-75,224
	Retained earnings	-51,568	1,326
		<u>-47,603</u>	<u>-73,898</u>

Financial statements for the period 1 January - 31 December

Balance sheet

DKK'000		2015	2014
Note		<u>2015</u>	<u>2014</u>
ASSETS			
Investments			
4	Shares in subsidiaries	0	35,629
	Amounts owed by subsidiaries	8,007	11,453
	Amounts owed by affiliated companies	616	599
		<u>8,623</u>	<u>47,681</u>
	Total non-current assets	<u>8,623</u>	<u>47,681</u>
Current assets			
Receivables			
	Trade receivables	108	405
	Amounts owed by subsidiaries	5,557	5,180
		<u>5,665</u>	<u>5,585</u>
	Cash at bank and in hand	<u>25</u>	<u>32</u>
	Total current assets	<u>5,690</u>	<u>5,617</u>
	TOTAL ASSETS	<u><u>14,313</u></u>	<u><u>53,298</u></u>
EQUITY AND LIABILITIES			
5	Equity		
	Share capital	1,000	1,000
	Reserve for net revaluation under the equity method	0	-11,872
	Retained earnings	11,843	63,410
	Total equity	<u>12,843</u>	<u>52,538</u>
Liabilities			
Current liabilities			
	Trade payables	136	64
	Payables to affiliated companies	810	596
	Income taxes payable	464	0
	Other payables	60	100
		<u>1,470</u>	<u>760</u>
	Total liabilities	<u>1,470</u>	<u>760</u>
	TOTAL EQUITY AND LIABILITIES	<u><u>14,313</u></u>	<u><u>53,298</u></u>

- Principal activity and business environment of
1 the Company
6 Contractual obligations and contingencies, etc

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Principal activity and business environment of the Company

Ukraine's political and economic situation has deteriorated significantly since 2014. Following political and social unrest, which started in November 2013, in March 2014 various events in Crimea led to the accession of the Republic of Crimea to the Russian Federation, which was not recognised by Ukraine and many other countries. This event resulted in a significant deterioration of the relationship between Ukraine and the Russian Federation. Following the instability in Crimea, regional tensions have spread to the Eastern regions of Ukraine, primarily Donetsk and Lugansk regions. In May 2014, protests in those regions escalated into military clashes and armed conflict between supporters of the self-declared republics of the Donetsk and Lugansk regions and the Ukrainian forces, which continued through the date of this memorandum. As a result of this conflict, part of the Donetsk and Lugansk regions remains under control of the self-proclaimed republics, and Ukrainian authorities are not currently able to fully enforce Ukrainian laws on this territory.

Political and social unrest combined with the military conflict in the Donetsk and Lugansk regions has deepened the ongoing economic crisis, caused a fall in the country's gross domestic product and foreign trade, deterioration in state finances, depletion of the National Bank of Ukraine's foreign currency reserves, significant devaluation of the national currency and a further downgrading of the Ukrainian sovereign debt credit ratings. Following the devaluation of the national currency, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions, which among others included restrictions on purchases of foreign currency by individuals and companies, the requirement to convert 75% of foreign currency proceeds to local currency, a ban on payment of dividends abroad, a ban on early repayment of foreign loans and restrictions on cash withdrawals from banks. These events had a negative effect on Ukrainian companies and banks, significantly limiting their ability to obtain financing on domestic and international markets.

The final resolution and the effects of the political and economic crisis are difficult to predict but may have further severe effects on the Ukrainian economy.

Whilst management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, a continuation of the current unstable business environment could negatively affect the Group's results and financial position in a manner not currently determinable. These consolidated financial statements reflect management current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

DKK'000	2015	2014
2 Financial income		
Interest income from subsidiaries	377	346
Interest income from affiliated companies	111	104
Other interest income	1,158	1,183
	<u>1,646</u>	<u>1,633</u>
3 Financial expenses		
Interest expense to affiliated companies	170	135
Other interest expense	9	0
	<u>179</u>	<u>135</u>

Financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK'000	2015	2014
4 Investments in subsidiaries		
Cost at 1 January	47,501	47,501
Cost at 31 December	47,501	47,501
Value adjustments at 1 January	-11,872	20,612
Profit/loss for the year	-47,713	-74,802
Amortisation of goodwill according to the Danish Financial Statements Act	-423	-423
Foreign currency translation adjustments	-19,058	-4,614
Revaluation of property, plant and equipment	30,585	53,893
Tax on other comprehensive income	-3,620	-6,538
Impairment loss, amounts owed by subsidiaries	4,600	0
Value adjustments at 31 December	-47,501	-11,872
Carrying amount at 31 December	0	35,629

Name and registered office	Ownership interest
Kyiv-Atlantic, the Ukraine	100%
Atlantic Farms I + II, the Ukraine	100%

5 Equity

	Share capital	Reserve for net re-valuation under the equity method	Retained earnings	Total
Balance at 1 January 2015	1,000	-11,872	63,410	52,538
Transferred, see distribution of loss	0	3,965	-51,568	-47,603
Foreign currency translation adjustments, foreign subsidiaries	0	-19,058	0	-19,058
Revaluation of property, plant and equipment	0	30,585	0	30,585
Tax on other comprehensive income	0	-3,620	0	-3,620
Balance at 31 December 2015	1,000	0	11,842	12,842

Financial statements for the period 1 January - 31 December

Notes to the financial statements

6 Contractual obligations and contingencies, etc.

Contingent liabilities

The parent company is jointly taxed with the Danish subsidiary. The companies included in the joint taxation have joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may entail that the companies' liability will increase. The Group as a whole is not liable to others.

The Group's Danish companies are jointly and severally liable for group VAT registration.