

# Atlantic Agro Holdings ApS

Ellegårdvej 19, 6400 Sønderborg

CVR no. 29 44 87 79



## Annual report 2016

Approved at the Company's annual general meeting on

11/7 2017

Chairman



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Building a better  
working world

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## Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Atlantic Agro Holdings ApS A/S for the financial year 1 January - 31 December 2016.

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 2016 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 2016.

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

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

Sønderborg, 10 July 2017  
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

### Disclaimer of opinion

We have been appointed to audit the consolidated financial statements and the parent company financial statements of Atlantic Agro Holdings ApS for the financial year 1 January - 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group as well as for the parent company and consolidated statements 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.

We do not express any audit opinion on the consolidated financial statements and the parent company financial statements. Because of the significance of the matters described in the "Basis for disclaimer of opinion" section, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an opinion.

### Basis for disclaimer of opinion

As the audited financial statements of the company's subsidiaries have not been received in a timely manner, it has not yet been possible to audit the consolidated financial statement and the parent company financial statement.

It has not been possible to gain information about the values of the receivables from subsidiaries at the parent company financial statement.

### Management's responsibilities 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 as 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.

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group and the Company or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

Our responsibility is to conduct an audit on the consolidated financial statements and the parent company financial statements in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. However, because of the matters described in the "Basis for disclaimer of opinion" section, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an opinion on the consolidated financial statements and the parent company financial statements.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

## Independent auditor's report

### Report on other legal and regulatory requirements

#### *Violation of submission of annual report according to the Danish Financial Statements Act*

The company has not complied with the deadline for submission of the annual report for 2016. The company's management can be held responsible for this.

### Statement on the Management's review

Management is responsible for the Management's review.

As appears from the "Basis for disclaimer of opinion" paragraph above, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an opinion on the consolidated financial statements and the parent company financial statements. Accordingly, we make no statement on the Management's review.

Sønderborg, 11 July 2017  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28



Christian S. Christiansen  
State Authorised  
Public Accountant



## Management's review

### Company details

Name	Atlantic Agro Holdings ApS
Address, zip code, city	Ellegårdvej 19, 6400 Sønderborg
CVR no.	CVR no. 29448779
Established	April 7, 2006
Registered office	Sønderborg
Financial year	1 January - 31 December
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

Atlantic Agro Holdings ApS and its subsidiaries

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED 31 DECEMBER 2016**

*(All amounts in thousands of USD unless otherwise stated)*

<i>(in thousands of US Dollars)</i>	<i>Notes</i>	<b>2016</b>	<b>2015 (restated)</b>	<b>2014</b>
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	6	13 522	15 775	19 015
Prepaid lease expenses	7	38	47	77
Biological assets	8	10	20	21
Other non-current assets		91	90	108
Goodwill	10	351	517	756
Investments		30	45	30
		<b>14 042</b>	<b>16 494</b>	<b>20 007</b>
<b>Current assets</b>				
Biological assets	8	187	174	186
Crop investments	9	286	471	480
Inventories	11	4 240	4 399	4 860
Prepayments made and other assets		109	168	232
Trade and other receivables	12	371	627	1 817
Income tax receivable		12	13	21
Cash and cash equivalents		72	92	339
		<b>5 277</b>	<b>5 944</b>	<b>7 935</b>
<b>Total assets</b>		<b>19 319</b>	<b>22 438</b>	<b>27 942</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
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		24 761	23 644	19 696
Foreign currency translation reserve		(10 149)	(9 730)	(6 969)
Retained earnings (accumulated deficit)		(24 500)	(21 810)	(14 587)
<b>Total equity</b>		<b>112</b>	<b>2 104</b>	<b>8 140</b>
<b>Non-current liabilities</b>				
Subordinated loan from related party	14	1 424	1 529	1 806
Loans and borrowings	14	107	461	882
Deferred tax liabilities	21	366	936	825
		<b>1 897</b>	<b>2 926</b>	<b>3 513</b>
<b>Current liabilities</b>				
Subordinated loan from related party	14	1 446	1 172	817
Loans and borrowings	14	9 531	9 206	10 221
Loans classified as current due to breach of covenants	14	1 589	2 374	3 580
Advances received		1 595	1 754	168
Trade and other payables to non-related parties	15	1 721	1 661	1 214
Trade and other payables to related parties	15	1 428	1 240	289
		<b>17 310</b>	<b>17 408</b>	<b>16 289</b>
<b>Total liabilities</b>		<b>19 207</b>	<b>20 334</b>	<b>19 802</b>
<b>Total equity and liabilities</b>		<b>19 319</b>	<b>22 438</b>	<b>27 942</b>

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

Atlantic Agro Holdings ApS and its subsidiaries

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2016**

*(All amounts in thousands of USD unless otherwise stated)*

<i>(in thousands of US Dollars)</i>	<i>Notes</i>	<b>2016</b>	<b>2015 (restated)</b>
<b>Revenues</b>	16	12 790	11 281
<b>Change in fair value of biological assets (crops) and gain on initial recognition of agricultural produce</b>	8(c)	4 569	2 383
<b>Cost of sales</b>	17	(14 203)	(10 488)
<b>Gross profit</b>		<b>3 156</b>	<b>3 176</b>
Administrative expenses	18	(1 629)	(1 767)
Distribution expenses		(531)	(382)
Change in fair value of biological assets (livestock)	8(c)	9	(38)
Other income and expenses, net		(754)	(726)
<b>Profit (loss) from operations</b>		<b>251</b>	<b>263</b>
<b>Analysis of profit (loss) from operations</b>			
<b>Profit (loss) before interest, tax, depreciation and amortisation (EBITDA)</b>	22	1 872	1 708
<i>EBITDA to Revenues</i>		14,6%	15,1%
Depreciation and amortization		(1 621)	(1 445)
<b>Profit (loss) from operations</b>		251	263
<i>Profit (loss) from operations to Revenues</i>		2,0%	2,3%
Finance costs	20	(3 497)	(7 630)
<b>(Loss) / profit before income tax</b>		<b>(3 246)</b>	<b>(7 367)</b>
Income tax benefit (expense)	21	427	144
<b>(Loss) / profit for the year</b>		<b>(2 819)</b>	<b>(7 223)</b>
<b>Other comprehensive (loss) income</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Foreign currency translation differences		(419)	(2 817)
		<b>(419)</b>	<b>(2 817)</b>
<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		1 246	3 948
		<b>1 246</b>	<b>3 948</b>
<b>Total other comprehensive (loss) income</b>		<b>827</b>	<b>1 131</b>
<b>Total comprehensive (loss) / income</b>		<b>(1 992)</b>	<b>(6 092)</b>

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



Atlantic Agro Holdings ApS and its subsidiaries

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts in thousands of USD unless otherwise stated)

<i>(in thousands of US Dollars)</i>	<i>Notes</i>	<b>2016</b>	<b>2015</b>
Profit (loss) for the year		(2 819)	(7 223)
<b>Adjustments for:</b>			
Depreciation and amortization		1 627	1 445
Allowance for impairment (recovery) of trade and other accounts receivable		112	-
Change in fair value of biological assets (livestock)	7(c)	(9)	38
Change in fair value of biological assets (crops) and gain on initial recognition of agricultural produce		(1 789)	(1 382)
Impairment of property, plant and equipment	5(c)	399	(10)
Unrealized foreign exchange loss (gain)	20	1 970	6 141
Interest expense	20	1 525	1 489
Income tax (benefit) expense	21	(427)	(144)
<b>Operating cash flows before changes in working capital:</b>		<b>589</b>	<b>354</b>
Change in biological assets		(2)	(50)
Change in crop investments		1 512	1 231
Change in inventories		(357)	(1 159)
Change in advances paid		39	(13)
Change in trade and other receivables		62	568
Change in advances received		47	1 220
Change in trade and other payables		432	2 019
<b>Cash flows from (used in) operating activities before income taxes and interest paid</b>		<b>2 322</b>	<b>4 170</b>
Income tax paid		-	-
Interest paid		(1 101)	(1 486)
<b>Cash flows from (used in) operating activities</b>		<b>1 221</b>	<b>2 684</b>
<i>Cash flows from investing activities:</i>			
Proceeds from disposal of property, plant and equipment		43	98
Purchase of property, plant and equipment and land lease rights		(367)	(226)
<b>Cash flows (used in) investing activities</b>		<b>(324)</b>	<b>(128)</b>
<i>Cash flows from financing activities:</i>			
Proceeds from loans and borrowings		-	-
Principal payments on loans and borrowings		(903)	(2 711)
<b>Cash flows from (used in) financing activities</b>		<b>(903)</b>	<b>(2 711)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(6)</b>	<b>(155)</b>
Cash and cash equivalents at beginning of year		92	339
Effect of exchange rate fluctuations on cash and cash equivalents		(14)	(92)
<b>Cash and cash equivalents at end of year</b>		<b>72</b>	<b>92</b>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2016**

*(All amounts in thousands of USD unless otherwise stated)*

*(in thousands of US Dollars)*

	Share capital	Additional paid-in capital	Revaluation surplus	Foreign currency translation reserve	Retained earnings (accumulated deficit)	Total
<b>Balances at 31 December 2014</b>	175	9 825	19 696	(6 969)	(14 587)	8 140
Loss for the year	-	-	-	-	(7 223)	(7 223)
<b>Other comprehensive income:</b>						
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)
<b>Total comprehensive income for the year</b>	-	-	3 948	(2 761)	(7 223)	(6 036)
<b>Balances at 31 December 2015 (restated)</b>	<b>175</b>	<b>9 825</b>	<b>23 644</b>	<b>(9 730)</b>	<b>(21 810)</b>	<b>2 104</b>
Loss for the year	-	-	-	-	(2 819)	(2 819)
Other comprehensive income:						
Revaluation of property, plant and equipment	-	-	1 279	-	-	1 279
Income tax on other comprehensive income	-	-	(33)	-	-	(33)
Currency translation adjustment	-	-	-	(419)	-	(419)
<b>Total comprehensive income for the year</b>	-	-	<b>1 246</b>	<b>(419)</b>	<b>(2 819)</b>	<b>(1 992)</b>
Realization of revaluation surplus, net of tax	-	-	(129)	-	129	-
<b>Balances at 31 December 2016</b>	<b>175</b>	<b>9 825</b>	<b>24 761</b>	<b>(10 149)</b>	<b>(24 500)</b>	<b>112</b>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

*(All amounts in thousands of USD unless otherwise stated)*

**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 Ellegardsvej 19, DK-6400 Sonderborg, 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 2016 and 2015 is 100%.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

*(All amounts in thousands of USD unless otherwise stated)*

**(b) Ukrainian business environment**

The Group conducts most of its operations in Ukraine. The Ukrainian economy while deemed to be of market status continues to display certain characteristics consistent with that of an economy in transition. These characteristics include, but are not limited to, low levels of liquidity in the capital markets, high inflation, and significant imbalances in the public finance and foreign trade.

From 1 January 2016 and up to 31 December 2016, the Ukrainian Hryvnia (the "UAH") depreciated against major foreign currencies by approximately 13% calculated based on the National Bank of Ukraine (the "NBU") exchange rate of UAH to USD.

The NBU imposed certain restrictions on purchase of foreign currencies, cross border settlements (including repayment of dividends), and also mandated obligatory conversion of foreign currency proceeds into UAH.

The known and estimable effects of the above events on the financial position and performance of the Group in the reporting period have been taken into account in preparing these consolidated financial statements.

The Government has committed to direct its policy towards the association with the European Union, to implement a set of reforms aiming at the removal of the existing imbalances in the economy, public finance and public governance, and the improvement of the investment climate.

Stabilisation of the Ukrainian economy in the foreseeable future depends on the success of the actions undertaken by the Government and securing continued financial support of Ukraine by international donors and international financial institutions.

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 FOR 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).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

*(All amounts in thousands of USD unless otherwise stated)*

**(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	<b>31 December 2016</b>	<b>31 December 2015</b>
Ukrainian hryvnia (UAH)	0,037	0,042
Danish Krone (DKK)	0,141	0,285
Euro (EUR)	1,045	1,093

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

Currency	<b>2016</b>	<b>2015</b>
Ukrainian hryvnia (UAH)	0,039	0,046
Danish Krone (DKK)	0,142	0,308
Euro (EUR)	1,107	1,109

As at the date that these consolidated financial statements are authorised for issue, 29 June 2016, the exchange rates are USD 0,038 to UAH 1.00, USD 0,152 to DKK 1.00 and USD 1,128 to EUR 1.00.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

*(All amounts in thousands of USD unless otherwise stated)*

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 recognized 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.

## Atlantic Agro Holdings ApS and its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(All amounts in thousands of USD unless otherwise stated)

**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 2016 amounting to USD 3,246 thousand. The Group's current liabilities exceed current assets as at 31 December 2016 by USD 11,199 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 2016 the Group continues negotiations with Unicredit Bank regarding the possibility of restructuring and prolongation of loans, which were initially due in May 2015 to August 2016.
- 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 believes that the abovementioned measures will allow the Group to operate on a going concern basis in the foreseeable future. Therefore, management believes that the going concern basis for preparing these consolidated financial statements is appropriate.

### 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

*(All amounts in thousands of USD unless otherwise stated)*

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.



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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.

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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 2016, 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 2016, 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

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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 AFII.

***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	8 - 59 years
Leasehold improvements	7 years or lease term, if shorter
Production equipment	10 years
Motor vehicles	12 years
Office equipment and furniture	5 years

At the date of property, plant and equipment revaluation, i.e. 31 December 2016, Group revised its accounting estimate relating to the useful lives of certain items of buildings, constructions and machinery and equipment. The useful lives of these assets were defined in terms of the asset’s expected utility to the Group and as well as a matter of judgment based on the experience of the Group’s Management with similar assets.

The revision of the estimated useful lives did not result in decreased amount of depreciation expense for the year ended 31 December 2016.

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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.

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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

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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

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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 is 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.

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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 comprehensive income on the net basis.

Before 01 January 2016 the agricultural entities of the Group recognised 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.

Since 01 January 2016 the agricultural entities of the Group started to recognise revenues and purchases on a net basis, i.e. w/o VAT charged/paid.

According to the Ukrainian tax legislation, the agricultural enterprises (whose income from sale of agricultural products is not less than 75% of the total gross income, or enterprises which sell meat and milk products irrespective of the volume of such transactions) receive preferences regarding VAT payment on



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agricultural operations. Till 31 December 2015 VAT amounts were not paid to the budget, but recognized as net result of income or expenses in the other operating income.

Since 01 January 2016 changes in tax legislation have taken place. The VAT preferences have been partially preserved for farmers in 2016, allowing retaining a portion of VAT amounts as follows:

(i) For crop farming operations - 85% of VAT amount is to be paid to the State budget, 15% of VAT amount being transferred to the entity's special bank account and can be used to make payments relating to the agricultural activities;

(ii) For live-stock breeding operations - 20% of VAT amount is to be paid to the State budget, 80 % of VAT amount being transferred to the entity's special bank account and can be used to make payments relating to the agricultural activities;

(iii) For other agricultural activities - 50% of VAT amount is to be paid to the State budget, 50 % of VAT amount being transferred to the entity's special bank account and can be used to make payments relating to the agricultural activities.

**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.

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**(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.

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**(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**

**Standards and interpretations**

The following standards were adopted by the Group on 1 January 2016:

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**International Financial Reporting Standards (“IFRS”)**

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- IFRS 14 Regulatory Deferral Accounts
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**Amendments to existing standards**

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- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

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- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

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- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

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- Amendments to IAS 27: Equity Method in Separate Financial Statements

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- Annual Improvements 2012-2014 Cycle *Improvements to IFRS 5, IFRS 7, IAS 19, IAS 34*

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- Amendments to IAS 1 Disclosure Initiative

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- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

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The adoption of new or revised standards did not have any effect on the consolidated financial position or performance of the Group and any disclosures in the Group’s consolidated financial statements.

**Standards issued but not yet effective**

At the date of authorization of these consolidated financial statements, the following Standards and Interpretations, as well as amendments to the Standards were in issue but not yet effective:

	<i>Effective for annual period beginning on or after</i>
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<b>International Financial Reporting Standards (“IFRS”)</b>	
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▪ IFRS 9 Financial Instruments	1 January 2018
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▪ IFRS 15 Revenue from contracts with customers	1 January 2018
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▪ IFRS 16 Leases	1 January 2019
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**Amendments to existing standards**

<ul style="list-style-type: none"> <li>▪ Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</li> </ul>		Deferred indefinitely
<ul style="list-style-type: none"> <li>▪ IAS 7 Disclosure Initiative – Amendments to IAS 7</li> </ul>		1 January 2017
<ul style="list-style-type: none"> <li>▪ IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12</li> </ul>		1 January 2017
<ul style="list-style-type: none"> <li>▪ IFRS 2 Classification and Measurement of Share-based Payment Transactions —Amendments to IFRS 2</li> </ul>		1 January 2018
<ul style="list-style-type: none"> <li>▪ Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</li> </ul>		1 January 2018
<ul style="list-style-type: none"> <li>▪ Annual Improvements to IFRS Standards 2014-2016 Cycle</li> </ul>	<i>Improvements to IFRS 12, IFRS 1, IAS 28</i>	1 January 2017 / 1 January 2018
<ul style="list-style-type: none"> <li>▪ IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration</li> </ul>		1 January 2018
<ul style="list-style-type: none"> <li>▪ Amendments to IAS 40: Transfers of Investment Property</li> </ul>		1 January 2018

Management is currently evaluating the impact of the adoption of IFRS 9 “Financial Instruments” and IFRS 16 “Leases”. For other Standards and Interpretations management anticipates that their adoption in future periods will not have a material effect on the consolidated financial statements of the Group in future periods.

**5. RESTATEMENT**

**(a) Change in accounting policy with respect to the privileged VAT regime**

According to Tax Code, companies that generate not less than 75% of revenues for the previous tax year from sales of own agricultural products ("agricultural companies") enjoy a privileged VAT regime. The difference between VAT generated on sales and VAT paid on purchases is not remitted to the state as it is required for other taxpayers, but is transferred to the company’s special bank account and can be used to finance the company’s agricultural activities.

In the previous years the Group’s policy was to treat the special VAT regime as VAT exemption and thus, the agricultural entities of the Group which enjoyed this special regime recognised revenues and purchases on a gross basis, i.e. including VAT.

With effect from 1 January 2016 the Group decided to change its accounting policy and now the excess of VAT liability over VAT receivable is accounted for as government grant. VAT government grant is recognized within other operating income on the date when the Group uses funds from the special bank account.

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The new accounting policy is aligned with the prevalent practice in the industry. Therefore, the Group believes that the new accounting policy provides the users of the consolidated financial statements with more relevant information, which is comparable to other market players. The Group doesn't made a respective restatement in the corresponding figures for the year ended 31 December 2015 and 2014.

The change in accounting policy had significant effect on a number of the financial statement lines. The reasons for the most significant effects are provided further. Revenues were affected because revenues of agricultural companies were previously presented with VAT. Cost of revenues was affected because costs generated by agricultural companies were accounted with VAT. Inventories were impacted because inventories which were produced by the agricultural companies and which were not measured at fair value were accounted with VAT. In particular, it relates to raw materials and consumables and investments into future crops. For inventories, which were measured at fair value at balance sheet date or at harvest date (agricultural produce, cattle and crops), change in accounting policy had an effect on result from re-measurement to fair value. The excess of VAT liability over VAT receivable as at balance sheet date is accounted for as government grant within other liabilities and accounts payable, whereas previously it was included to revenues.

**(b) Corresponding figures – correcting of error**

During the year ended 31 December 2016, the Group's management identified and corrected prior period errors. The effect of the correction of error on the consolidated statement of financial position as at 31 December 2015 is as follows:

*(in thousands of US Dollars)*

	Impact of corrections of errors		
	31 December 2015, as previously reported	Impact of corrections of errors	31 December 2015, as restated
<b>31 December 2015</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15 796	(21)	15 775
<b>Equity</b>			
Retained earnings (accumulated deficit)	(21 674)	136	(21 810)
<b>Current liabilities</b>			
Trade and other payables to non-related parties	1 547	114	1 661

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 2015 is as follows:

*(in thousands of US Dollars)*

	Impact of corrections of errors		
	2015, as previously reported	Impact of corrections of errors	2015, as restated
<b>For the year ended 31 December 2015</b>			
Cost of sales	(10 373)	(115)	(10 488)
Other income and expenses, net	(705)	(21)	(726)

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**6. PROPERTY, PLANT AND EQUIPMENT**

Movements in property, plant and equipment for the year ended 31 December 2016 are as follows:

<i>(in thousands of US Dollars)</i>	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
<b>Cost or revalued amount at 1 January 2016</b>	<b>8 780</b>	<b>190</b>	<b>4 530</b>	<b>2 299</b>	<b>28</b>	<b>-</b>	<b>493</b>	<b>16 320</b>
Additions	16	-	332	17	2	-	-	367
Disposals	-	-	(47)	-	(1)	-	-	(48)
Revaluation surplus	187	-	760	330	2	-	-	1 279
Elimination of depreciation	(337)	-	(643)	(464)	(8)	-	-	(1 452)
Impairment through PL	(381)	-	(18)	-	-	-	-	(399)
Currency translation difference	(1 031)	(22)	(631)	(270)	(4)	-	(58)	(2 016)
<b>Cost or revalued amount at 31 December 2016</b>	<b>7 234</b>	<b>168</b>	<b>4 283</b>	<b>1 912</b>	<b>19</b>	<b>-</b>	<b>435</b>	<b>14 051</b>
<b>Accumulated depreciation at 1 January 2016</b>	<b>-</b>	<b>190</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>355</b>	<b>545</b>
Depreciation charge	359	-	696	506	9	-	51	1 621
Disposals	-	-	(11)	(12)	-	-	-	(23)
Currency translation difference	(22)	(22)	(41)	(30)	(2)	-	(45)	(162)
Revaluation	(337)	-	(644)	(464)	(7)	-	-	(1 452)
<b>Accumulated depreciation at 31 December 2016</b>	<b>-</b>	<b>168</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>361</b>	<b>529</b>
<b>Net book value at 31 December 2016</b>	<b>7 234</b>	<b>-</b>	<b>4 283</b>	<b>1 912</b>	<b>19</b>	<b>-</b>	<b>74</b>	<b>13 522</b>

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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>								
<b>Cost or revalued amount at 1 January 2015</b>	<b>10 828</b>	<b>289</b>	<b>5 362</b>	<b>2 472</b>	<b>55</b>	<b>-</b>	<b>759</b>	<b>19 765</b>
Additions	31	-	162	12	-	-	-	205
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)
<b>Cost or revalued amount at 31 December 2015 (restated)</b>	<b>8 780</b>	<b>190</b>	<b>4 530</b>	<b>2 299</b>	<b>28</b>	<b>-</b>	<b>493</b>	<b>16 320</b>
<b>Accumulated depreciation at 1 January 2015</b>	<b>-</b>	<b>289</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>461</b>	<b>750</b>
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)
<b>Accumulated depreciation at 31 December 2015 (restated)</b>	<b>-</b>	<b>190</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>355</b>	<b>545</b>
<b>Net book value at 31 December 2015</b>	<b>8 780</b>	<b>-</b>	<b>4 530</b>	<b>2 299</b>	<b>28</b>	<b>-</b>	<b>138</b>	<b>15 775</b>

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**(a) Revaluation in 2016 and 2015**

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 2016 and 2015, management engaged an independent appraiser to assess the fair value of property, plant and equipment as at 31 December 2016 and 2015.

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 2016 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)	1.16 – 1.08	Significant increases (decreases) in estimated PPI in isolation would result in a significantly higher (lower) fair value.
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.

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, comparative 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 2016 and 2015.

**(b) Reconciliation of revaluation results**

As at 31 December 2016, the Group recognised the following results of revaluation of property, plant and equipment in these consolidated financial statements:



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	<u>2016</u>	<u>2015</u>
Net gain on revaluation recognised in other comprehensive income (before income tax)	1 279	4 478
Net gain (loss) recognised in other income and expense	(399)	10
<b>Net effect for the year</b>	<b><u>880</u></b>	<b><u>4 488</u></b>
Presented as a decrease in cost of property, plant and equipment	(572)	3 240
Presented as an reversal of accumulated depreciation and impairment losses	1 452	1 248
<b>Net effect for the year</b>	<b><u>880</u></b>	<b><u>4 488</u></b>

**(c) Asset pledged as collateral**

Refer to note 14.

**7. PREPAID LEASE EXPENSES**

The movement in prepaid lease expenses was as follows:

<i>(in thousands of US Dollars)</i>	<u>2016</u>	<u>2015</u>
<b>Cost</b>		
At 1 January	82	120
Foreign currency translation difference	(9)	(38)
At 31 December	<u>73</u>	<u>82</u>
<b>Amortization and impairment losses</b>		
At 1 January	(35)	(43)
Amortization charge	(5)	(12)
Foreign currency translation difference	5	20
At 31 December	<u>(35)</u>	<u>(35)</u>
Net book value at 31 December 2015	<u>47</u>	<u>77</u>
Net book value at 31 December 2016	<u>38</u>	<u>47</u>

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**8. BIOLOGICAL ASSETS**

Biological assets as at 31 December are as follows:

<i>(in thousands of US Dollars)</i>	<u>2016</u>	<u>2015</u>
<b>Non-current biological assets</b>		
Livestock	10	20
<b>Current biological assets</b>		
Livestock	61	42
Crops	126	132
	<u>187</u>	<u>174</u>
	<u>197</u>	<u>194</u>

Non-current biological assets are represented by livestock, which include mainly pigs held for breeding. Winter crops and livestock represent current biological assets.

As at 31 December, livestock is as follows:

<i>(in thousands of US Dollars)</i>	<u>2016</u>	<u>2015</u>
Pigs	71	62
	<u>71</u>	<u>62</u>

**(a) Crops**

	<u>2016</u>		<u>2015</u>	
	Hectares	Carrying amount	Hectares	Carrying amount
Winter wheat	408	126	429	132

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

<i>(in tonnes)</i>	<u>2016</u>	<u>2015</u>
Corn	31 802	21 874
Sunflower	8 292	2 698
Soybeans	4 329	6 179
Wheat	2 645	3 950
Grass	73	249
	<u>47 141</u>	<u>34 950</u>

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**(b) Livestock**

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

	2016		2015	
	Number of units	Carrying amount	Number of units	Carrying amount
Non-current livestock	101	10	147	20
Current livestock	1 052	61	1 095	42
	<b>1 153</b>	<b>71</b>	<b>1 242</b>	<b>62</b>

Biological assets include various livestock as at 31 December:

<i>Heads</i>	2016	2015
<b>Non-current</b>		
Sows	94	142
Boars	7	5
	<b>101</b>	<b>147</b>
<b>Current</b>		
Pigs	1 052	1 095
	<b>1 052</b>	<b>1 095</b>
	<b>1 153</b>	<b>1 242</b>

**(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)*

	2016		2015	
	Livestock	Crops	Livestock	Crops
Balance at the beginning	62	132	60	147
Purchases and investments in livestock and future crops	124	4 273	175	4 589
Change in fair value less estimated costs to sell	9	4 569	(38)	2 383
Decrease due to sales	(116)	-	(110)	-
Decrease due to harvest	-	(8 833)	-	(6 937)
Currency translation difference	(8)	(15)	(25)	(50)
Balance at the end of the period	<b>71</b>	<b>126</b>	<b>62</b>	<b>132</b>

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**(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><b>Projected cash flows:</b> 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><b>Estimated net yields, tonnes per hectare:</b></p> <p>winter wheat 6.10 (31 December 2015: 4.68)</p> <p><b>Estimated average production costs, USD per ha:</b></p> <p>winter wheat 447 (31 December 2015: 438-484 (including VAT))</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> <p>- 10% increase/decrease in estimated yields for crops will result in USD 3 thousand increase/decrease of the crops fair value (31 December 2015: USD 4 thousand increase/decrease);</p> <p>- 5% increase/decrease in future production costs will result in USD 3 thousand decrease/increase of the crops fair value (31 December 2015: USD 3 thousand decrease/increase);</p>
<p><b>Prices for crops</b> 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><b>Estimated future market prices (net of logistic costs), USD per tonne of:</b></p> <p>winter wheat 118 (31 December 2015: 178 (including VAT))</p>	<p>- 10% increase/decrease in estimated future market price for crops will result in USD 9 thousand increase/decrease of the fair value (31 December 2015: USD 9 thousand increase/ decrease).</p>

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 the number of risks related to its biological assets.

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***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 fertilizers 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>	<b>2016</b>	<b>2015</b>
Land lease	166	142
Labor	51	23
Repairs	41	40
Fuel and lubricants	28	132
Fertilizers, pesticides and herbicides	-	127
Other	-	7
<b>Total crop investments</b>	<b>286</b>	<b>471</b>

**10. GOODWILL**

Goodwill as at 31 December is as follows:

<i>(in thousands of US Dollars)</i>	2016	2015
Balance at the beginning of the year	517	756
Foreign currency translation adjustments	(166)	(239)
Balance at the end of the year	351	517

As at 31 December 2016 and 2015, 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 2016 and 2015.

## Atlantic Agro Holdings ApS and its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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- The anticipated annual revenue growth included in the cash flow projections for the years 2017 to 2021 is 12% (2015: 13%).
- A pre-tax discount rate of 23.1% (2015: 26.7%) 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 valuation model reflects the effects of the diminishing risk of crop failure over time until the crop is harvested and results in a linear accretion of the future increase in the fair value as a result of risks diminishing throughout the growth cycle.

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 2,966 thousand as at 31 December 2016 and no impairment loss would occur.
- a decrease of one percentage point in future projected revenues would decrease values in use by approximately USD 15,193 thousand as at 31 December 2016 and no impairment loss would occur.

#### 11. INVENTORIES

Inventories as at 31 December are as follows:

<i>(in thousands of US Dollars)</i>	<u>2016</u>	<u>2015</u>
Corn	1 984	1 588
Soybeans	783	1 079
Raw materials	221	209
Animal fodder and related products	219	234
Spare parts, bags and tools	144	155
Equipment imported for resale	97	275
Other	793	859
<b>Total inventories</b>	<b><u>4 240</u></b>	<b><u>4 399</u></b>

As at 31 December 2016, inventories carried at fair value less costs to sell determined at the point of harvest comprise USD 2,990 thousand (31 December 2015: USD 2,667 thousand).

In 2016 raw materials, consumables and changes in finished goods and work in progress recognized in cost of sales amount to USD 11 415 thousand (2015: USD 7,079 thousand).

#### 12. TRADE AND OTHER RECEIVABLES

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

<i>(in thousands of US Dollars)</i>	<u>2016</u>	<u>2015</u>
Receivables from related parties	192	254
Trade and other receivables	191	227
VAT receivable	148	204
	<b><u>531</u></b>	<b><u>685</u></b>
Provision for doubtful receivables	(160)	(58)
<b>Total trade and other receivables</b>	<b><u>371</u></b>	<b><u>627</u></b>

**Atlantic Agro Holdings ApS and its subsidiaries**

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

<i>(in thousands of US Dollars)</i>	<b>2016</b>	<b>2015</b>
Balance at 1 January	58	85
Impairment loss recognized	112	35
Reversal of loss recognized	(4)	(35)
Foreign currency translation adjustments	(6)	(27)
Balance at 31 December	<b>160</b>	<b>58</b>

Changes in collection estimates can affect the impairment losses recognized. 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 2016 would be approximately USD 16 thousand lower/higher (31 December 2015: USD 6 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 2016 and 2015, the authorized, 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 2016 or 2015.

**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.

<i>(in thousands of US Dollars)</i>	<b>Currency</b>	<b>Nominal interest rate</b>	<b>Effective interest rate</b>	<b>Maturity year</b>	<b>2016</b>	<b>2015</b>
<b>Non-current liabilities</b>						
Subordinated loan from related party (AG Developers)	USD	11,00%	11,00%	2018	1 424	1 529
Finance lease liability (UniCredit leasing)	USD	12,80% - 15,40%	13,62%	2017	-	242
Finance lease liability (Raiffeisen Aval Leasing)	USD	12,00%	13,87%	2019	107	219
<b>Total Non-Current Liabilities</b>					<b>1 531</b>	<b>1 990</b>

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	Currency	Nominal interest rate	Effective interest rate	Maturity year	2016	2015
<i>(in thousands of US Dollars)</i>						
<b>Current Liabilities</b>						
Secured bank loan (UniCredit Bank)	USD	12 month LIBOR + 8,25%	10,19%	2016	8 746	8 346
Loans classified as current due to breach of covenants (UniCredit Bank)	USD	12 month LIBOR + 8%	10,19%	2018	1 589	2 374
Principal and interest payable on subordinated loan to AG Developers LLC	USD			on demand	1 446	1 172
Current portion of loan from Investment Fund (Danish) for Central and Eastern Europe	EUR	6M EUR LIBOR + 4,00%	3,83%	2015	428	441
Current portion of finance lease liabilities (UniCredit Leasing)	USD	12.80% - 15,40%	13,62%	2017	249	334
Current portion of finance lease liabilities (Raiffeisen Aval Leasing)	USD	12,00%	13,87%	2017	108	85
<b>Total Current Liabilities</b>					<b><u>12 566</u></b>	<b><u>12 752</u></b>

As at 31 December 2016, the value of fixed assets pledged as collateral is USD 10,700 thousand (31 December 2015: USD 10,310 thousand). Additionally, as at 31 December 2016 the Group pledged 3,347 tons of soybeans, 4,383 tons of corn, with a carrying value of USD 1,455 thousand as a collateral (31 December 2015: 3,020 tons of soybeans, 2,200 tons of corn, 400 tons of soybean cakes and 300 tons of combined feed with a carrying value of USD 1,499 thousand as a collateral).

As at 31 December 2016, 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	1 446	1 424	-	2 870
Other loans and borrowings	11 120	107	-	11 227
<b>Total</b>	<b><u>12 566</u></b>	<b><u>1 531</u></b>	<b><u>-</u></b>	<b><u>14 097</u></b>



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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>	<u>Within one year</u>	<u>From one to five years</u>	<u>More than five years</u>	<u>Total</u>
Loans from related parties	1 172	1 529	-	2 701
Other loans and borrowings	11 580	461	-	12 041
<b>Total</b>	<b><u>12 752</u></b>	<b><u>1 990</u></b>	<b><u>-</u></b>	<b><u>14 742</u></b>

**(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 2016, 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 10,336 thousand. Accordingly, this loan is 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.

**(b) Finance lease liabilities**

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

<i>(in thousands of US Dollars)</i>	<u>2016</u>		
	<u>Future minimum lease payments</u>	<u>Interest</u>	<u>Present value of minimum lease payments</u>
Less than one year	411	54	357
Between one and five years	116	9	107
<b>Total</b>	<b><u>527</u></b>	<b><u>63</u></b>	<b><u>464</u></b>

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

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**15. TRADE AND OTHER PAYABLES**

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

**Trade and other payables to non-related parties**

*(in thousands of US Dollars)*

	<u>2016</u>	<u>2015 (restated)</u>
Trade accounts payable	1 587	1 529
Salary and related charges	81	85
Provision for unused vacations	53	47
<b>Total trade and other payables to non-related parties</b>	<b><u>1 721</u></b>	<b><u>1 661</u></b>

**Trade and other payables to related parties**

*(in thousands of US Dollars)*

	<u>2016</u>	<u>2015 (restated)</u>
Payable to David D. Sweere & Sons International Ltd	1 149	988
Other payables	279	252
<b>Total trade and other payables to related parties</b>	<b><u>1 428</u></b>	<b><u>1 240</u></b>

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:

*(in thousands of US Dollars)*

	<u>2016</u>	<u>2015</u>
Crop sales	6 858	2 192
Feed	3 136	3 503
Grain	1 058	1 037
Soybean cake sales	917	2 600
Soybean oil sales	333	757
Elevator services	78	187
Livestock sales	70	112
Tolling services	48	61
Concentrate	44	73
Other revenues	248	759
<b>Total revenues</b>	<b><u>12 790</u></b>	<b><u>11 281</u></b>

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**17. COST OF SALES**

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

*(in thousands of US Dollars)*

	<u>2016</u>	<u>2015</u>
Crop sales	8 120	2 205
Feed	3 035	3 317
Grain	1 094	402
Soybean cake sales	1 200	2 872
Soybean oil sales	283	605
Elevator services	37	39
Livestock sales	106	143
Tolling services	32	40
Concentrate	47	69
Other	249	796
<b>Total cost of sales</b>	<b><u>14 203</u></b>	<b><u>10 488</u></b>

**18. ADMINISTRATIVE EXPENSES**

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

*(in thousands of US Dollars)*

	<u>2016</u>	<u>2015</u>
Salary and related charges	1 097	1 037
Professional and consulting services	185	478
Maintenance and utilities	98	20
Operational lease expense	32	27
Bank charges	25	43
Communication	15	29
Charges and duties	8	46
Other	169	87
<b>Total administrative expenses</b>	<b><u>1 629</u></b>	<b><u>1 767</u></b>

Salary and related charges are comprised of the following items:

*(in thousands of US Dollars)*

	<u>2016</u>	<u>2015</u>
Domestic	222	356
Foreign	875	681
<b>Total salary and related charges</b>	<b><u>1 097</u></b>	<b><u>1 037</u></b>

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**19. PERSONNEL COSTS**

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

<i>(in thousands of US Dollars)</i>	<u>2016</u>	<u>2015</u>
Administrative expenses	1 097	1 037
Cost of production	518	494
Distribution expenses	243	223
Other expenses	11	12
	<u><b>1 869</b></u>	<u><b>1 766</b></u>

**20. FINANCE COSTS**

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

<i>(in thousands of US Dollars)</i>	<u>2016</u>	<u>2015</u>
Foreign exchange loss	1 970	6 141
Interest on secured bank loan	1 188	1 276
Interest on subordinated loan from a related party AG Developers LLC	165	167
Interest on commercial loan	90	13
Interest due to David D. Sweere & Sons International Ltd	48	13
Interest on loan from Investment Fund for Central and Eastern Europe	34	20
Other	2	-
<b>Total finance cost</b>	<u><b>3 497</b></u>	<u><b>7 630</b></u>

**21. INCOME TAX EXPENSE**

The statutory income tax rate in Denmark is 22% for 2016 and 23.5% for 2015. According to effective tax legislation in Ukraine, during the year ended 31 December 2016 and 2015, 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>2016</u>	<u>2015</u>
Current tax expense	-	-
Deferred tax expense / (benefit)	<u>(427)</u>	<u>(144)</u>
<b>Total income tax expense / (benefit)</b>	<u><b>(427)</b></u>	<u><b>(144)</b></u>

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**(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>	2016			2015		
	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	(3 386)	140	(3 246)	(4 212)	(3 155)	(7 367)
Income tax at applicable tax rate	(610)	-	(610)	(758)	-	(758)
Tax loss that is used to reduce tax expense	(231)	-	(231)	286	-	286
Non-deductible items	414	-	414	328	-	328
<b>Income tax expense (benefit)</b>	<b>(427)</b>	<b>-</b>	<b>(427)</b>	<b>(144)</b>	<b>-</b>	<b>(144)</b>

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(b) Recognized deferred tax assets and liabilities

Movements in deferred tax assets and liabilities for the year ended 31 December 2016 are as follows:

<i>(in thousands of US Dollars)</i>	Balance as at 1 January 2016, asset (liability)	Recognized in profit or loss, benefit (charge)	Recognized in other comprehens ive income	Foreign currency translation	Balance as at 31 December 2016, asset (liability)
Property, plant and equipment	(1 655)	201	(33)	260	(1 227)
Advances received	(22)	20	-	2	-
Trade and other payables to non- related parties	(13)	8	-	3	(2)
Trade and other payables to related parties	101	(89)	-	(12)	-
Inventories	39	(29)	-	(5)	5
Tax losses carried forward	605	302	-	(71)	836
Trade and other receivables	8	14	-	-	22
<b>Deferred tax liabilities</b>	<b>(937)</b>	<b>427</b>	<b>(33)</b>	<b>177</b>	<b>(366)</b>

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)	71	-	(13)	39
Tax losses carried forward	919	160	-	(474)	605
Trade and other receivables	32	(21)	-	(3)	8
<b>Deferred tax liabilities</b>	<b>(825)</b>	<b>323</b>	<b>(530)</b>	<b>96</b>	<b>(936)</b>

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**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>	<u>2016</u>	<u>2015</u>
Loss before income tax	(3 246)	(7 367)
Net finance cost	3 497	7 630
Depreciation and amortization	1 627	1 445
<b>EBITDA</b>	<b><u>1 878</u></b>	<b><u>1 708</u></b>

**23. COMMITMENTS**

**(a) Pledged assets**

As at 31 December 2016, the value of fixed assets pledged as collateral is USD 10,700 thousand (31 December 2015: USD 10,310 thousand). Additionally, as at 31 December 2016 the Group pledged 3,347 tones of soybeans and 4,383 tones of corn with a carrying value of USD 1,455 thousand as a collateral (31 December 2015: the Group pledged 3,020 tones of soybeans, 2,200 tones of corn, 400 tones of soybean cakes and 300 tones of combined feed with a carrying value of USD 1,499 thousand).

**(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>	<u>2016</u>	<u>2015</u>
Less than one year	767	662
From one to five years	2 674	1 962
More than five years	2 140	2 196
	<b><u>5 581</u></b>	<b><u>4 820</u></b>

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

<i>(in thousands of US Dollars)</i>	<u>2016</u>	<u>2015</u>
Included in Cost of sales	648	589
Included in Distribution expenses	162	70
Included in Crop Investments	57	146
Included in Administrative expenses	32	47
	<b><u>899</u></b>	<b><u>852</u></b>

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**24. CONTINGENCIES**

**(a) Insurance**

As at the reporting date, the production assets of the Group are insured for the amount of USD 6.5 million (31 December 2015: USD 8.4 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 2016, 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.



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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:

*(in thousands of US Dollars)*

	<u>2016</u>	<u>2015</u>
Receivables from related parties	192	254
Trade and other receivables	31	169
Cash and cash equivalents	72	92
<b>Total</b>	<b><u>295</u></b>	<b><u>515</u></b>

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Cash and cash equivalents consist of current accounts held within foreign owned and domestic Ukrainian banks. As at 31 December 2016 and the date of these financial statements, there were neither restricted cash and cash equivalents nor 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>	<u>2016</u>	Fitch Rating	<u>2015</u>	Fitch Rating
Unicredit Bank	55	Baa1	57	CCC
Raiffeisen Bank Aval	4	Ca	-	-
Privat Bank	2	Ca	7	CCC
Pravex Bank	-	CCC	1	CCC
Other banks	11		27	
<b>Total</b>	<u><u>72</u></u>		<u><u>92</u></u>	

**(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 realizable 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.

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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 2016	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	2 870	3 194	1 509	1 685	-
Loans and borrowings	11 227	11 534	9 738	1 799	-
Trade accounts payable	1 587	1 587	1 587	-	-
Trade accounts payables to related parties	1 428	1 428	1 428	-	-
	<b>17 112</b>	<b>17 743</b>	<b>14 262</b>	<b>3 484</b>	<b>-</b>

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	1 529	1 529	1 529	-	-
Trade accounts payables to related parties	1 240	1 240	1 240	-	-
	<b>17 511</b>	<b>19 196</b>	<b>16 889</b>	<b>1 215</b>	<b>1 092</b>

**(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.

**iv. 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.

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The exposure to foreign currency risk is as follows:

*(in thousands of US Dollars)*

	2016		2015	
	USD	EUR	USD	EUR
<b>Current assets</b>				
Cash and cash equivalents	46	-	30	-
Trade and other receivables	192	-	254	-
<b>Non-current liabilities</b>				
Subordinated loan from related party	(1 423)	-	(1 529)	-
Intercompany loans and borrowings	(1 804)	-	(1 846)	-
Loans and borrowings	(108)	-	(461)	-
<b>Short-term liabilities</b>				
Loans and borrowings	(10 683)	(428)	(11 139)	(441)
Subordinated loan from related party	(1 446)	-	(1 172)	-
Advances received	(1 595)	-	(1 754)	-
Intercompany loans and borrowings	(1 005)	-	(1 005)	-
Trade and other payables to non-related parties	(399)	-	(393)	-
Trade and other payables to related parties	(1 429)	-	(1 240)	-
<b>Net short position</b>	<b>(19 654)</b>	<b>(428)</b>	<b>(20 255)</b>	<b>(441)</b>

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
<b>31 December 2016</b>				
Change in USD exchange rate	15%	-15%	(2 948)	2 948
Change in EUR exchange rate	15%	-15%	(64)	64
<b>31 December 2015</b>				
Change in USD exchange rate	15%	-15%	(3 038)	3 038
Change in EUR exchange rate	15%	-15%	(66)	66

**v. 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

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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>2016</u>	<u>2015</u>
<i>Short-term liabilities</i>			
Unicredit Bank	variable at 12 month LIBOR + 8-8.25%	10 335	10 720
Investment Fund (Danish) for Central and Eastern Europe	6M EUR LIBOR + 4.00%	428	441
<b>Total exposure</b>		<u><u>10 763</u></u>	<u><u>11 161</u></u>

An increase in interest rates of 100 basis points would have increased loss before tax by USD 106 thousand in 2016 (2015: USD 112 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.

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**(a) Control relationships**

The Company is jointly owned on a fifty-fifty basis by David Donald, 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 78 thousand for the year ended 31 December 2016 (2015: USD 59 thousand) and foreign staff compensation amounting to USD 875 thousand for the year ended 31 December 2016 (2015: USD 681 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>	<u>2016</u>	<u>2015</u>
<b>Statement of financial position</b>		
Subordinated loan from related party (AG Developers LLC)	(1 424)	(1 529)
Interest payable on subordinated loan to AG Developers LLC	(1 446)	(1 172)
Accounts payable to DUI	(279)	(252)
Accounts receivable from DUI	192	211
Accounts receivable from AG Developers ApS	91	90
<b>Statement of comprehensive income</b>		
Interest expense on loan from DUI	(16)	(13)
Interest expense on subordinated loan from related party (AG Developers LLC)	(165)	(167)

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>	<u>2016</u>	<u>2015</u>
<b>Balances with other related parties</b>		
Accounts receivable from Danam Farms	-	43
Accounts payable to David D. Sweere & Sons International Ltd	(1 149)	(988)
<b>Transactions with other related parties</b>		
Goods and services provided by David D. Sweere & Sons International Ltd	(740)	(1 080)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

*(All amounts in thousands of USD unless otherwise stated)*

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 actual market rates. 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 2016 the following events took place:

- (a) After the reporting date Management of the Group started negotiating process with UniCredit Bank with the purpose to extend the loan repayment period till July 2018. To repay the loan by UniCredit Bank Management of Group made decision to sell part or the whole business.  
However, in May 2017 UniCredit Bank filed a lawsuit against the Group due to breached payment terms (including interest payable).
- (b) 12 April 2017 Management of the Group made a decisions to pay dividends under preference shares. Dividends were accrued in amount of 452 178 UAH.
- (c) Fixed assets of the Group in the amount of USD 1 468 thousand were pledged under the loan agreement with VA Intertrading after the reporting date.

## 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 2016 has been prepared in accordance with the provisions applying to reporting class B enterprises under the Danish Financial Statements Act.

Effective 1 January 2016, Atlantic Agro Holdings ApS has adopted act no. 738 of 1 July 2016. This has not had any impact on the income statement or the balance sheet for 2016 or the comparative figures.

The financial statements have been prepared in accordance with the same accounting policies as applied in the accounting year 2015.

### 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 year of declaration. Distributions of dividend where the dividend exceeds the profit for the year or where the carrying amount of the Company's investments in the subsidiary exceeds the carrying amount of the



subsidiary's net asset value will be evidence of impairment, meaning that an impairment test must be conducted.

#### **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 at 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.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

##### **Equity - dividends**

Dividend proposed for the year is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the financial year is presented as a separate line 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 base of tax loss carry-forwards, are measured at the value at which they are expected to be utilised, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities within 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

Note	DKK'000	2016	2015
	<b>Revenue</b>	0	0
	Raw materials, consumables and goods for resale	0	0
	Other external costs	-340	-169
	<b>Operating profit/loss</b>	-340	-169
	Share of profit/loss in subsidiaries after tax	-19,827	-48,432
1	Financial income	505	1,646
2	Financial expenses	-647	-179
	<b>Profit/loss before tax</b>	-20,309	-47,134
	Tax on profit/loss for the year	0	-469
	<b>Profit/loss for the year</b>	-20,309	-47,603
	<b>Proposed profit appropriation/distribution of loss</b>		
	Reserve for net revaluation under the equity method	-5,377	3,965
	Retained earnings	-14,932	-51,568
		-20,309	-47,603

## Financial statements for the period 1 January - 31 December

### Balance sheet

Note	DKK'000	2016	2015
	<b>ASSETS</b>		
	<b>Investments</b>		
3	Shares in subsidiaries	0	0
	Amounts owed by subsidiaries	0	8,007
	Amounts owed by affiliated companies	645	616
		<u>645</u>	<u>8,623</u>
	<b>Total non-current assets</b>	<u>645</u>	<u>8,623</u>
	<b>Current assets</b>		
	<b>Receivables</b>		
	Trade receivables	109	108
	Amounts owed by subsidiaries	5,557	5,557
		<u>5,666</u>	<u>5,665</u>
	<b>Cash at bank and in hand</b>	<u>2</u>	<u>25</u>
	<b>Total current assets</b>	<u>5,668</u>	<u>5,690</u>
	<b>TOTAL ASSETS</b>	<u>6,313</u>	<u>14,313</u>
	<b>EQUITY AND LIABILITIES</b>		
4	<b>Equity</b>		
	Share capital	1,000	1,000
	Reserve for net revaluation under the equity method	0	0
	Retained earnings	-3,089	11,843
	<b>Total equity</b>	<u>-2,089</u>	<u>12,843</u>
	<b>Liabilities</b>		
	<b>Non-current liabilities</b>		
	Other provisions	6,323	0
	<b>Total non-current liabilities</b>	<u>6,323</u>	<u>0</u>
	<b>Current liabilities</b>		
	Trade payables	69	136
	Payables to affiliated companies	1,530	810
	Income taxes payable	373	464
	Other payables	107	60
		<u>2,079</u>	<u>1,470</u>
	<b>Total liabilities</b>	<u>8,402</u>	<u>1,470</u>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<u>6,313</u>	<u>14,313</u>

5 Contractual obligations and contingencies, etc

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

DKK'000	2016	2015
<b>1 Financial income</b>		
Interest income from subsidiaries	0	377
Interest income from affiliated companies	108	111
Other interest income	397	1,158
	<u>505</u>	<u>1,646</u>
<b>2 Financial expenses</b>		
Interest expense to affiliated companies	192	170
Other interest expense	455	9
	<u>647</u>	<u>179</u>
<b>3 Investments in subsidiaries</b>		
Cost at 1 January	47,501	47,501
Cost at 31 December	47,501	47,501
Value adjustments at 1 January	-47,501	-11,872
Profit/loss for the year	-19,404	-47,713
Amortisation of goodwill according to the Danish Financial Statements Act	-423	-423
Foreign currency translation adjustments	-3,411	-19,058
Revaluation of property, plant and equipment	9,021	30,585
Tax on other comprehensive income	-233	-3,620
Impairment loss, amounts owed by subsidiaries	8,127	4,600
Provisions	6,323	0
Value adjustments at 31 December	<u>-47,501</u>	<u>-47,501</u>
Carrying amount at 31 December	<u>0</u>	<u>0</u>
		<b>Ownership interest</b>
Name and registered office		
Kyiv-Atlantic, the Ukraine		100%
Atlantic Farms I + II, the Ukraine		100%

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 4 Equity

	Share capital	Reserve for net re- valuation under the equity method	Retained earnings	Total
Balance at 1 January 2016	1,000	0	11,843	12,843
Transferred, see distribution of loss	0	-5,377	-14,932	-20,309
Foreign currency translation adjustments, foreign subsidiaries	0	-3,411	0	-3,411
Revaluation of property, plant and equipment	0	9,021	0	9,021
Tax on other comprehensive income	0	-233	0	-233
<b>Balance at 31 December 2016</b>	<b>1,000</b>	<b>0</b>	<b>-3,089</b>	<b>-2,089</b>

#### 5 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.