

**Registered Number OC377681**

**ABJ Trading LLP**

**Financial Statements**

**For the Year Ended**

**31 December 2015**

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**ABJ Trading LLP**  
**Financial Statements**  
**Year Ended 31 December 2015**

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## **ABJ Trading LLP**

### **Designated Members, Registered Office and Independent Auditors**

#### **Designated Members**

AVG Investors Ltd

NJV Investors Ltd

#### **Registered Office**

1st Floor, Midas House

2 Knoll Rise

Orpington

Kent, BR6 0EL

England, UK

#### **Independent auditors**

PricewaterhouseCoopers LLP

Chartered Accountants & Statutory Auditors

1 Embankment Place

London

WC2N 6RH

# **ABJ Trading LLP**

## **Members' Report**

### **Year Ended 31 December 2015**

The members present their report on the LLP for the year ended 31 December 2015.

#### **Designated Members**

The following were designated members during the year:

AVG Investors Ltd  
NJV Investors Ltd

#### **Policy With Respect to Members' Drawings and Subscription and Repayments of Amounts Subscribed or Otherwise Contributed by Members**

Members are not entitled to draw out of the LLP any sums on account of an allocated share of profits of the LLP unless and until an amount to be divided amongst them for distribution has been agreed by all of the members. A member is not entitled to withdraw any capital from the Capital Accounts unless all of the members agree to this.

#### **Review of the Business**

The business of the LLP is conducted in Rondonópolis (MT) - Brazil.

The LLP continues to engage in the sale of Brazilian commodities in European and Asian markets and simplifies fundraising outside the borders of Brazil for related parties.

The Financial Statements are presented to the nearest thousand in Brazilian Real ("R") although the functional operating currency for the LLP is US Dollars.

#### **Results and Performance**

The results of the LLP for the financial year, as set out on page 10, show a loss for the financial year of R13.196m (2014: R21.536m profit). The total members' interests of the LLP total R26.185m (2014: R27.535m).

#### **Principal Risks and Uncertainties**

##### Going concern

For the year ended 31 December 2015 the LLP's results continued to be adversely impacted by the appreciation of the US dollar against the Brazilian Reais. As a result the LLP recorded a loss of R13m for the year ended 31 December 2015, and as at 31 December 2015 the LLP had net current liabilities of R135m. Furthermore as at 31 December 2015 the LLP breached a loan covenant (refer to note 8 for details of the covenant and the breach) in respect of loans totalling R152m. As a consequence and as contractually agreed between the parties, this gave the lenders the right to demand immediate and full repayment of the loan. Consequently, the LLP has reclassified R99.572m of non-current borrowings into borrowings falling due within 12 months.

The Bom Jesus Group is a related party of ABJ Trading LLP in that members of the LLP are also the owners of the Bom Jesus Group. The Bom Jesus Group's financial performance has also been adversely impacted by the weakening of the Brazilian Reais which has increased the Bom Jesus Group and LLP's levels of indebtedness while reducing the possibilities of obtaining new credit facilities.

## **ABJ Trading LLP**

### **Members' Report** *(continued)*

#### **Year Ended 31 December 2015**

Due to these factors, on 31 May 2016 Bom Jesus entered into an in-court reorganization request. Due to the relationship between the two entities, the in-court reorganization request extended to the ABJ Trading LLP. The in-court reorganisation request was approved by the court on 9 June 2016, but the recovery plan is still under discussion and it has to be approved by a General Meeting of Creditors.

Under the in-court reorganization request the LLP's and Bom Jesus Group's payables as at 7 June 2016 are protected in that the LLP's lenders and creditors cannot demand payment or execute guarantees. This enables the LLP and Bom Jesus Group to maintain its operations, but with a limited access to credit with suppliers and financial institutions. Under the in court reorganization new payables contracted by the LLP after 7 June 2016 are to be paid in accordance with contractual terms.

Following entering the in-court reorganization request, operations have continued but at lower levels. The Bom Jesus Group has withdrawn from leasing third party land and has focused on working with their own land. Further the LLP is only delivering the forward contracts agreed in prior years in order to fulfil contractual agreements.

Additionally, as disclosed in note 6 as at 31 December 2015 the LLP had a non- current receivable of R193m with Bom Jesus Agropecuária Ltda, a related party that is also part of the in-court reorganization request.

The members recognise that the current financial situation gives rise to material uncertainties that may cast significant doubt on the LLP's ability to both continue as a going concern and recover its non-current receivable of R193m from Bom Jesus Agropecuária Ltda. However, after making enquiries and careful consideration, the members continue to adopt the going concern basis of accounting in preparing the financial statements, which assumes the realisation of assets and discharge of liabilities in the normal course of business within the foreseeable future.

#### ***Financial Risk Management***

Risk management is carried out by the treasury group together with the board that identifies, evaluates and seeks to minimize the financial risks resulting from commercial and operational activities. The board establishes guidelines for the future; based primarily on crop production planning by the group to which it belongs, market analysis and other marketing strategies.

The risk management policies reflect the principles of risk management defined by members.

#### ***Foreign Exchange risk***

The LLP buys products in the Brazilian market and sells predominantly in European and Asian markets. Due to both purchases and sales of commodities being indexed to the US dollar (which is the functional currency of the LLP) there is no exposure to significant exchange rate risk. However, having a functional currency that is different from the presentation currency gives rise to some foreign exchange translation gains and losses.

#### ***Commodity Price Risk***

Commodity price risk arises from the possibility of fluctuations in the market prices of products sold by the LLP.

In order to reduce its exposure in respect of future sales of commodities, the LLP fixes the selling prices to customers with which it maintains future sales contracts for commodities, as it analyzes the market trends.

# **ABJ Trading LLP**

## **Members' Report** *(continued)*

**Year Ended 31 December 2015**

### ***Interest Rate Risk***

Financial amounts which bear interest are represented mainly by export prepayments which, being subject to fixed interest rates, are exposed to the risk of interest rates in situations of downward trend in market interest rates.

The administration has a policy of using fixed interest rates.

### ***Credit Risk***

The possibility of the LLP being subject to credit risk stems from exposure to suffering losses due to default of its counterparties or of financial institutions or financial investment funds.

To mitigate the risks, the LLP adopts a policy of analyzing the financial situation of counterparts, as well as by controlling credit limits and ongoing monitoring of open positions.

### ***Liquidity Risk***

The LLP manages liquidity risk by aiming to maintain balances in cash and cash equivalents in amounts sufficient to enable it to meet any extraordinary losses in addition to the liabilities already undertaken and planned for future cash flows.

The liquidity policy is subject to constant negotiation to release credit lines to financial institutions to meet any cash outflow if needs are not covered by flows of future cash.

### ***Capital Management***

The decision to take a position leveraged to a greater or lesser degree, and/or to increase or decrease the capital, are discussed at meetings of the board.

### ***Fair Value Estimation***

Financial instruments carried at fair value are represented having regard to the terms in the contract. The fair values of these contracts were determined by using techniques for evaluation. These valuation techniques maximize the use of observable market data which are available, with the lowest possible use of estimates by the LLP.

### ***Sensitivity Analysis***

At 31 December 2015 if the Brazilian Real had weakened 10 percent against the US Dollar with all other variables held constant, the loss for the financial year of R13,196,000 on page 10 of these financial statements would have been R1,320,000 higher at R14,516,000 and the loss of R1,350,000 shown at the end of the statement of other comprehensive income on page 10 of these financial statements would have been R135,000 larger at R1,485,000, arising as a result of US Dollars being the functional currency of the LLP.

Conversely, if the Brazilian Real had strengthened 10 percent against the US Dollar with all other variables held constant, the loss for the financial year would have been R1,320,000 lower at R11,876,000, and the loss of R1,350,000 shown at the end of the statement of other comprehensive income would have been R135,000 lower at R1,215,000.

## ABJ Trading LLP

### Members' Report *(continued)*

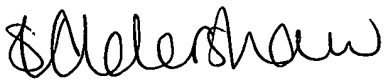
Year Ended 31 December 2015

#### Key Performance Indicators

The LLP has made significant progress throughout the year in relation to key elements of its strategy and in particular monitors progress by reference to the KPI of growth in turnover.

The LLP will review growth in turnover as well as the gross profit margin in future years to help assess the performance of the LLP.

Signed on behalf of the members



[SARAH OLDERSHAW]

PP AVG Investors Ltd

Designated member

Approved by the members on 28/3/2017

# **ABJ Trading LLP**

## **Statement of Members' Responsibilities**

**Year Ended 31 December 2015**

The members present their report and the audited financial statements of the LLP for the year ended 31 December 2015.

### **Statement of Members' Responsibilities**

The members are responsible for preparing the Members' Report and the financial statements in accordance with applicable law and regulations.

Company law as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 requires the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and applicable law. Under Company law as applied to limited liability partnerships the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the LLP and of the profit or loss of the LLP for that year.

In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LLP will continue in business.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that the financial statements comply with the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. They are also responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## ABJ Trading LLP

### Statement of Members' Responsibilities (continued)


Year Ended 31 December 2015

Each of the persons who is a member at the date of approval of these financial statements confirms that:

- so far as each member is aware, there is no relevant audit information of which the LLP's auditor is unaware; and
- each member has taken all steps that they ought to have taken as a member to make themselves aware of any relevant audit information and to establish that the LLP's auditor is aware of that information.

Registered office:  
1st Floor, Midas House  
2 Knoll Rise  
Orpington  
Kent, BR6 0EL  
England, UK

Signed on behalf of the members



[SARAH OLDEASHAW]

PF AVG Investors Ltd

Designated member

Approved by the members on 28/3/2017

# **ABJ Trading LLP**

## **Independent Auditors' Report to the Members of ABJ Trading LLP**

**Year Ended 31 December 2015**

### **Report on the financial statements**

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#### **Our opinion**

In our opinion, ABJ Trading LLP's financial statements (the "financial statements"):

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 December 2015 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

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#### **Emphasis of matter - Material uncertainty regarding continuation as a going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of disclosures in Note 1.2 to the financial statements concerning the limited liability partnership's ability to continue as a going concern which indicated that there are material uncertainties regarding:

- the effective future agreement by both the limited liability partnership and related party, Bom Jesus Group, with creditors; and
- the recoverability of the R\$193 million receivable from the related party Bom Jesus Agropecuária Ltda., which will depend on the conclusion of the agreement mentioned above.

Should either the limited liability partnership and Group not be able to reach agreement with creditors over a recovery plan or fulfil the terms of the reorganisation request after the plan is approved, the limited liability partnership may no longer be viable. These conditions indicate the existence of material uncertainties that may cast significant doubt about the limited liability partnership's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the limited liability partnership were unable to continue as a going concern.

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#### **What we have audited**

The financial statements comprise:

- the Statement of Financial Position as at 31 December 2015;
- the Income Statement and Statement of Comprehensive Income for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Statement of Changes in Equity for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the members have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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### **Other matters on which we are required to report by exception**

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#### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 as applicable to limited liability partnerships we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

# ABJ Trading LLP

## Independent Auditors' Report to the Members of ABJ Trading LLP (continued)

Year Ended 31 December 2015

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### Responsibilities for the financial statements and the audit

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#### Our responsibilities and those of the members

As explained more fully in the Statement of Members' Responsibilities set out on page 6, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the members of the limited liability partnership as a body in accordance with the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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#### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the limited liability partnership's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the members; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the members' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Peter Acloque (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

29 March 2017

## ABJ Trading LLP

### Income Statement

For the Year Ended 31 December 2015

		2015	2014
	Note	R'000	R'000
Revenue	2	481,971	506,928
Cost of sales	2	(464,896)	(486,914)
<b>Gross Profit</b>		<b>17,075</b>	<b>20,014</b>
Administrative expenses		(23,346)	(6,684)
<b>Operating (Loss)/Profit</b>	3	<b>(6,271)</b>	<b>13,330</b>
Interest receivable	5	1,936	17,723
Interest payable and similar charges	5	(8,861)	(9,517)
<b>(Loss)/Profit for the Financial Year</b>		<b>(13,196)</b>	<b>21,536</b>

### Statement of Comprehensive Income

For the Year Ended 31 December 2015

	2015	2014
	R'000	R'000
<b>(Loss)/Profit for the Financial Year</b>	<b>(13,196)</b>	<b>21,536</b>
Currency translation adjustments	11,846	1,690
<b>Total Comprehensive (Loss)/Income for the Financial Year</b>	<b>(1,350)</b>	<b>23,226</b>

The notes on pages 14 to 24 form part of these financial statements.

**ABJ Trading LLP**  
**Statement of Financial Position**  
**as at 31 December 2015**

	Note	2015 R'000	2014 R'000
<b>Non-Current Assets</b>			
Trade and other receivables	6	193,215	113,231
<b>Current Assets</b>			
Trade and other receivables	6	19,575	36,293
Cash and cash equivalents		21,654	3,548
<b>Total Current Assets</b>		<b>41,229</b>	<b>39,841</b>
<b>Total Assets</b>		<b>234,444</b>	<b>153,072</b>
<b>Current Liabilities</b>			
Borrowings	8	(151,919)	(7,969)
Trade payables	7	(22,828)	(2,355)
Other payables	7	(1,645)	(3)
<b>Total Current Liabilities</b>		<b>(176,392)</b>	<b>(10,327)</b>
<b>Non-Current Liabilities</b>			
Borrowings	8	-	(63,749)
Amounts owed to related parties		(31,867)	(51,461)
<b>Total Non-Current Liabilities</b>		<b>(31,867)</b>	<b>(115,210)</b>
<b>Total Liabilities</b>		<b>(208,259)</b>	<b>(125,537)</b>
<b>Net Assets</b>		<b>26,185</b>	<b>27,535</b>
<b>Equity</b>			
<b>Members' Interests</b>			
Members' capital		70	70
Members' foreign exchange reserve		13,038	1,192
Members' other reserves		13,077	26,273
<b>Total Members' Interests</b>		<b>26,185</b>	<b>27,535</b>

These financial statements were approved by the members and authorised for issue on 28/3/2017, and are signed on their behalf by:

 [SARAH OLDERSHAW]

PP AVG Investors Ltd  
Registered Number: OC377681

The notes on pages 14 to 24 form part of these financial statements.

# ABJ Trading LLP

## Statement of Changes in Equity

For the Year Ended 31 December 2015

	<b>Members' capital R'000</b>	<b>Members' Foreign exchange reserve R'000</b>	<b>Members' Other reserves R'000</b>	<b>Total Members' Interests R'000</b>
Balance at 1 January 2014	70	(498)	4,737	4,309
Movement in the 2014 financial year	–	1,690	21,536	23,226
Members' interests after profit for the financial year	70	1,192	26,273	27,535
Balance at 1 January 2015	70	1,192	26,273	27,535
Movement in the 2015 financial year	–	11,846	(13,196)	(1,350)
Members' interests after loss for the financial year	70	13,038	13,077	26,185
Balance at 31 December 2015	70	13,038	13,077	26,185

The notes on pages 14 to 24 form part of these financial statements.

**ABJ Trading LLP**  
**Statement of Cash Flows**  
**For the Year Ended 31 December 2015**

	2015	2014
	R'000	R'000
<b>Cash flows from operating activities</b>		
(Loss)/Profit for the financial year	(13,196)	21,536
<b>Adjustments for:</b>		
Interest receivable	(1,936)	(17,723)
Interest payable	8,861	9,517
	<u>(6,271)</u>	<u>13,330</u>
<b>Changes in working capital:</b>		
Decrease/(Increase) in trade and other receivables	16,718	(21,350)
Increase in trade payables	20,473	2,355
Increase/(Decrease) in other payables	1,642	(1,728)
(Increase)/Decrease in non-current receivables	(78,048)	55,486
	<u>(39,215)</u>	<u>34,763</u>
<b>Net cash inflow/(outflow) from operating activities</b>	(45,486)	48,093
<b>Cash flows from financing activities</b>		
Proceeds from/(repayment of) borrowings and transactions with related parties	51,746	(60,596)
<b>Net cash inflow/(outflow) from financing activities</b>	51,746	(60,596)
<b>Net increase/(decrease) in cash and cash equivalents</b>	6,260	(12,503)
<b>Effects of exchange rate changes on cash and cash equivalents</b>	11,846	1,690
<b>Cash and cash equivalents at beginning of year</b>	3,548	14,361
<b>Cash and cash equivalents at end of year</b>	<u>21,654</u>	<u>3,548</u>

The notes on pages 14 to 24 form part of these financial statements.

# **ABJ Trading LLP**

## **Notes to the Financial Statements**

**Year Ended 31 December 2015**

### **1. Accounting Policies**

#### **1.1 Basis of Accounting**

The financial statements have been prepared on a going concern basis and under the historical cost convention except as otherwise described in the accounting policies and also in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to limited liability partnerships (LLPs) reporting under IFRS.

#### **1.2 Going concern**

For the year ended 31 December 2015 the LLP's results continued to be adversely impacted by the appreciation of the US dollar against the Brazilian Reais. As a result the LLP recorded a loss of R13m for the year ended 31 December 2015, and as at 31 December 2015 the LLP had net current liabilities of R135m. Furthermore as at 31 December 2015 the LLP breached a loan covenant (refer to note 8 for details of the covenant and the breach) in respect of loans totalling R152m. As a consequence and as contractually agreed between the parties, this gave the lenders the right to demand immediate and full repayment of the loan. Consequently, the LLP has reclassified R99.572m of non-current borrowings into borrowings falling due within 12 months.

The Bom Jesus Group is a related party of ABJ Trading LLP in that members of the LLP are also the owners of the Bom Jesus Group. The Bom Jesus Group's financial performance has also been adversely impacted by the weakening of the Brazilian Reais which has increased the Bom Jesus Group and LLP's levels of indebtedness while reducing the possibilities of obtaining new credit facilities.

Due to these factors, on 31 May 2016 Bom Jesus entered into an in-court reorganization request. Due to the relationship between the two entities, the in-court reorganization request extended to the ABJ Trading LLP. The in-court reorganisation request was approved by the court on 9 June 2016, but the recovery plan is still under discussion and it has to be approved by a General Meeting of Creditors.

Under the in-court reorganization request the LLP's and Bom Jesus Group's payables as at 7 June 2016 are protected in that the LLP's lenders and creditors cannot demand payment or execute guarantees. This enables the LLP and Bom Jesus Group to maintain its operations, but with a limited access to credit with suppliers and financial institutions. Under the in court reorganization new payables contracted by the LLP after 7 June 2016 are to be paid in accordance with contractual terms.

Following entering the in-court reorganization request, operations have continued but at lower levels. The Bom Jesus Group has withdrawn from leasing third party land and has focused on working with their own land. Further the LLP is only delivering the forward contracts agreed in prior years in order to fulfil contractual agreements.

Additionally, as disclosed in note 6 as at 31 December 2015 the LLP had a non-current receivable of R193m with Bom Jesus Agropecuária Ltda, a related party that is also part of the in-court reorganization request.



# **ABJ Trading LLP**

## **Notes to the Financial Statements *(continued)***

**Year Ended 31 December 2015**

### **1. Accounting Policies *(continued)***

#### **1.2 Going concern *(continued)***

The members recognise that the current financial situation gives rise to material uncertainties that may cast significant doubt on the LLP's ability to both continue as a going concern and recover its non-current receivable of R193m from Bom Jesus Agropecuária Ltda. However, after making enquiries and careful consideration, the members continue to adopt the going concern basis of accounting in preparing the financial statements, which assumes the realisation of assets and discharge of liabilities in the normal course of business within the foreseeable future.

#### **1.3 Revenue**

Revenue comprises the fair value of the consideration for sales overseas of agricultural products in the normal course of the activities of the LLP.

The LLP recognizes revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

#### **1.4 Financial Assets**

The LLP classifies its financial assets as either loans/receivables or financial assets at initial recognition at fair value through profit or loss.

Financial assets that are recorded at fair value through profit or loss are valued using level 1 inputs where possible, being quoted prices in active markets for identical assets and otherwise using levels 2 or 3 inputs, such as quoted prices in active markets for similar by not identical assets (or quoted prices for identical assets in markets that are not active) and a best estimate when no other information is available.

Loans and receivables are non-derivative financial assets with fixed payments that are not quoted in an active market. They are presented as current assets, except for those with maturities greater than 12 months after 31 December 2015 (which are classified as non-current). Loans and receivables comprise cash and cash equivalents, accounts receivable and amounts receivable from related parties. Cash and cash equivalents comprise cash balances and short term investments that are highly liquid with original maturities of three months or less from the date of issue and that have an insignificant risk of a change in value.

Financial assets at fair value through profit or loss are financial assets held for realisation. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets. Due to the LLP operating as a trader the contracts, which may be settled in cash or by exchanging financial instruments, are measured at fair value (except for contracts entered into for, and which continue to be held for, the receipt or the delivery of a non-financial item in accordance with the purchase, sale or usage expected by the entity).

Purchases and sales of financial assets are normally recognized on the date acquired or sold. Loans and receivables are recorded at amortized cost using the effective interest rate.

# **ABJ Trading LLP**

## **Notes to the Financial Statements *(continued)***

**Year Ended 31 December 2015**

### **1. Accounting Policies *(continued)***

#### **1.4 Financial Assets *(continued)***

Financial assets and liabilities are offset, and the net amount is reported in the Statement of Financial Position equity, only if there is a legal right to offset the recognized amounts and there is an intention to settle the asset or liability on a net basis or realize the asset and settle the liability simultaneously.

The LLP assesses at each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. An asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that event (or events) has an impact that can be reliably estimated on expected future cash flows from the financial asset or group of financial assets. The criteria that the LLP uses to determine whether there is objective evidence of an impairment loss include significant financial difficulty of the issuer or obligor, a breach of contract such as default or delinquency in payment of interest or principal to the LLP for economic or legal reasons relating to the financial difficulty of a debtor for credit extended as a concession that the LLP does not normally consider, it becomes probable that the debtor will enter bankruptcy or other financial reorganization, the disappearance of an active market for that financial asset because of financial difficulties, or observable data indicating that there is a measurable reduction in future cash flows estimated from a portfolio of financial assets since the initial recognition of those assets although the decrease cannot yet be identified with individual financial assets in the portfolio including adverse changes in the payment status of debtors in the portfolio and national economic conditions or places that correlate with defaults on the assets in the portfolio.

The amount of the impairment loss is measured as the difference between the book value of the assets and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the interest rate of the original financial assets. The carrying value of the asset is reduced and the amount of the loss is recognized in the income statement. If a loan or investment held to maturity has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. In practice, the LLP may measure impairment based on the fair value of an instrument using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as by an improvement in the debtor's credit rating), the reversal of loss previously recognized as impairment will be recognized in the income statement.

# **ABJ Trading LLP**

## **Notes to the Financial Statements *(continued)***

**Year Ended 31 December 2015**

### **1. Accounting Policies *(continued)***

#### **1.5 Foreign Currencies**

The presentation currency of Brazilian Real was used rather than the functional currency of US Dollars because Brazilian Real is the local currency of the country where the LLP primarily trades.

Monetary assets and liabilities denominated in currencies other than the presentation currency of Brazilian Real (such as any denominated in the functional currency of the LLP of US Dollars) are translated into Brazilian Real at the exchange rate at 31 December 2015. Transactions in the year in currencies other than the presentation currency of Brazilian Real are recorded using the average exchange rate for the year. All differences therefrom are taken to the Income Statement.

Non-monetary assets and liabilities denominated in currencies other than the presentation currency of Brazilian Real (such as any denominated in the functional currency of the LLP of US Dollars) are translated into Brazilian Real at the date of the transaction and remain in the Statement of Financial Position at that historic rate.

The exchange rates at 31 December 2015 were R3.898=US\$1 and R5.778=£1 and the average exchange rates for 2015 were R3.339=US\$1 and R5.103=£1.

#### **1.6 Loans and Financing**

The loans payable by the LLP are recognized initially at fair value, net of transaction costs incurred and are subsequently carried at amortized cost. Any difference between the proceeds received (net of transaction costs) and the total value payable is recognized in the income statement during the period in which the loans and financing are outstanding, using the effective interest method of interest. The loans are classified as current liabilities unless the LLP has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of Financial Position date.

#### **1.7 Financial Income and Expenses**

Financial income includes interest income on loans and investments. Interest income is recognized on the accrual basis, using the effective interest rate method. Financial expenses includes interest payable on loans and financing. Financial income and expenses are recognized on the accrual basis, using the method of effective interest rate.

#### **1.8 Other Income and Expenses**

Other income and expenses are recognized in the Income Statement in accordance with accounting standards.

# **ABJ Trading LLP**

## **Notes to the Financial Statements *(continued)***

**Year Ended 31 December 2015**

### **1. Accounting Policies *(continued)***

#### **1.9 Accounting Estimates and Significant Judgments**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events, considered reasonable under the circumstances. Based on assumptions, the LLP makes estimates concerning the future. By definition, resulting accounting estimates will seldom equal the related actual results.

Assets and liabilities subject to significant estimates and assumptions include the measurement of the value of any financial instruments (futures). The fair value of any forward contracts, because they are not traded in active markets, is determined by using valuation techniques. The LLP uses its judgment to choose several methods and make assumptions that are mainly based on the conditions of the existing market at the Statement of Financial Position date. Any forward contracts are estimated based on market prices of commodities traded compared to the prices fixed with clients and suppliers in the sale and purchase contracts.

The LLP does not have issues that involve significant judgments and involving a risk of causing a significant adjustment in the carrying value of assets and liabilities within the next financial year. The assessment of the likelihood of loss for tax, civil and labour claims includes evaluation of available evidence, the statute laws, case law including most recent court decisions and their relevance and the assessment of external lawyers.

Provisions, if any, are reviewed and adjusted to take into account changes in circumstances, such as any applicable limitation period, conclusions of tax inspections or additional exposures identified based on new issues or court decisions.

## ABJ Trading LLP

### Notes to the Financial Statements *(continued)*

#### Year Ended 31 December 2015

#### 2. Revenue and Cost of sales

The revenue and profit/losses are attributable to the one principal activity of the LLP that is regarded as a single class of business conducted in a uniform global market.

The breakdown of revenue between different products is as follows:

	2015	2014
	R'000	R'000
Feather cotton	25,535	80,300
Corn industry	51,147	47,820
Soya industry	396,521	366,538
Cottonseed	6,275	3,817
Others	2,493	8,453
	<u>481,971</u>	<u>506,928</u>

The breakdown of cost of sales between different products is as follows:

	2015	2014
	R'000	R'000
Feather cotton	26,183	81,363
Corn industry	46,624	50,618
Soya industry	386,827	351,410
Cottonseed	5,262	3,523
	<u>464,896</u>	<u>486,914</u>

#### 3. Operating (Loss)/Profit

Operating (loss)/profit is stated after:

	2015	2014
	R'000	R'000
Net (loss)/profit on foreign currency translation	(375)	164
Net (losses)/gains on fair value of forward contracts	(10,525)	617
Revenue detention and carrying charge	-	18
	<u>-</u>	<u>711</u>

Fees payable to the UK auditor for the audit of the 2015 financial statements are estimated to be £35,000 so approximately R140,000 (plus VAT) at the time of approval of these financial statements (2014: £35,000 / R135,000).

#### 4. Employee Information

No salaries or wages have been incurred or paid to employees during the year.

# ABJ Trading LLP

## Notes to the Financial Statements *(continued)*

### Year Ended 31 December 2015

#### 5. Interest receivable and interest payable and similar charges

	2015 R'000	2014 R'000
Income on financial investments	14	14
Interest income from related parties	1,842	17,709
Other finance income	80	-
Interest receivable	<u>1,936</u>	<u>17,723</u>
Interest expense	8,787	9,382
Other finance costs	74	135
Interest payable and similar charges	<u>8,861</u>	<u>9,517</u>

#### 6. Trade and other receivables

	2015 R'000	2014 R'000
Trade receivables	16,170	8,140
Other receivables	369	8,763
Prepayments and accrued income	3,036	19,390
	<u>19,575</u>	<u>36,293</u>
Amounts receivable from related parties (note 10)	193,215	113,231
	<u>212,790</u>	<u>149,524</u>

No financial assets are determined to be impaired.

Out of the R16,170,000 of trade receivables (2014 – R8,140,000) R1,000 fell due more than 30 days before the year end (2014 – R2,562,000) and R2,000 fell due less than 30 days before the year end (2014 – R5,578,000) with the balance of R16,167,000 falling due after the foregoing amounts of R1,000 and R2,000.

The receivables above include the following amounts falling due after more than one year:

	2015 R'000	2014 R'000
Amounts receivable from related parties	<u>193,215</u>	<u>113,231</u>

The non-current receivables of R193.215m all fall due within the next five years from the year end of 31 December 2015 (R113.231m falling due within five years from 31 December 2014).

## ABJ Trading LLP

### Notes to the Financial Statements *(continued)*

**Year Ended 31 December 2015**

#### 6. Trade and other receivables *(continued)*

Prepayments have been made to the following suppliers:

	2015 R'000	2014 R'000
Agrilex Limited	-	19,390
Carlos Alberto Moresco	647	-
Others	2,389	-
	<u>3,036</u>	<u>19,390</u>

The majority - 99% (2014 – 98%) of the above R16.17m of trade receivables (2014 – R8.14m) is receivable from the following customers:

	2015 R'000	2014 R'000
Paul Reinhart AG	4,051	-
Louis Dreyfus Commodities Brasil SA	3,646	-
Louis Dreyfus Commodities Suisse SA	2,534	4,221
Ameropa Asia PTE Ltd	2,273	-
Marubeni America Corporation	1,129	1,081
Penny Newman Grain Company	1,035	-
Agrozan Tarim Urunleri	875	-
Sumitomo Corporation	289	-
O Sung Feed Co Ltd	246	-
Boryeong Tnf Co Ltd	-	886
Cdi Cotton Distributors Inc	-	700
Agrex Inc	-	569
Concordia Agritrading Pte Ltd	-	338
Multigrain Trading Ag	-	183
	<u>16,078</u>	<u>7,978</u>

#### 7. Other payables

	2015 R'000	2014 R'000
Other liabilities payable	<u>1,645</u>	<u>3</u>

Trade payables shown on the face of the Statement of Financial Position of R22.828m (2014 – R2.355m) is made up of the following balances:

	2015 R'000	2014 R'000
Cooperativa Agroindustrial Do Centro Oeste Ltda	10,522	1,158
Dionisio João Zanotto	9,940	-
Vanguarda Agro S/A	2,217	-
Carlos Alberto Moresco	-	1,197
Others	149	-
	<u>22,828</u>	<u>2,355</u>

## ABJ Trading LLP

### Notes to the Financial Statements *(continued)*

#### Year Ended 31 December 2015

#### 8. Borrowings

Current borrowings of R151.919m (2014 – R7.969m plus R63.749m of non-current borrowings for 2014) are secured against properties of, and guarantees from, associated parties.

At 31 December 2014 the non-current borrowings totalling R63.749m related to pre-export finance indexed to the US Dollars with interest rates between 4% and 9% per annum and were regarded as becoming due at 31 December in the following years:

2017 - R 11.25m; 2018 - R 37.499m; 2019 - R 15m.

The borrowings contracts impose certain covenants to the LLP and the guarantors (Bom Jesus group) and they shall ensure that as of the last day of each fiscal year the following financial ratios are met:

- (i) The ratio of its Current Assets to its Current Liabilities is greater than 1.0;
- (ii) Its Debt Service Coverage Ratio is greater than 1.10;
- (iii) The ratio of its Net Worth to its Total Assets is greater than 0.60.

#### Compliance with borrowing covenants

During the financial year the LLP and Bom Jesus Group breached the borrowings covenants, since they have not met the first condition disclosed above and consequently the LLP has reclassified the R99.572m of non-current borrowings into borrowings falling due within 12 months.

On 31 May 2016 Bom Jesus Group entered into an in-court reorganization request. Due to the relationship between the two entities, the in-court reorganization request extended to the ABJ Trading LLP. The in-court reorganization process protects Bom Jesus Group and the LLP, so that the creditors cannot demand payment or execute guarantees. The objective of the process is to enable the group to maintain its operation in order to pay the creditors in a long term condition, preventing bankruptcy.

Refer to note 1.2 Going concern to further details of the in-court reorganization.



## ABJ Trading LLP

### Notes to the Financial Statements *(continued)*

**Year Ended 31 December 2015**

#### 9. Financial instruments at fair value

At 31 December 2015 the following forward contracts of commodities, entered into by the LLP for physical delivery in 2016, were evaluated and recorded at fair value and met the classification criteria for financial instrument accounting:

Product	Operation	Position purchased/sold	Volume	Earnings	Losses	Net
<b><u>2015</u></b>						
Cotton	Forward market	Purchased	<u>3,283 tons</u>	<u>-</u>	<u>(1,645)</u>	<u>(1,645)</u>
<b>Total</b>			<u>3,283</u>	<u>-</u>	<u>(1,645)</u>	<u>(1,645)</u>
<b><u>2014</u></b>						
Soya	Forward market	Purchased	131 tons	6	(3)	3
	Forward market	Sold	<u>(180,030) tons</u>	<u>8,229</u>	<u>-</u>	<u>8,229</u>
			<u>(179,899)</u>	<u>8,235</u>	<u>(3)</u>	<u>8,232</u>
Cotton	Forward market	Sold	<u>1,638 tons</u>	<u>528</u>	<u>-</u>	<u>528</u>
<b>Total</b>				<u>8,763</u>	<u>(3)</u>	<u>8,760</u>

The financial instruments are valued using level 2 inputs as mentioned in Note 1.4 above.

#### 10. Related Party Transactions

The LLP purchases products from related parties who are members of the Bom Jesus Group as well as funds being lent to and from that group.

The related parties are as follows:

- ABJ Comércio Agrícola Ltda: R0.036m in long term receivables, R1.885m in long term liabilities plus R144.674m purchase of agricultural products (2014 – R29.208m in long term liabilities plus R276.515m purchase of agricultural products)

- Bom Jesus Agropecuária Ltda: R193.179m in long term receivables, R20.637m in long term liabilities, R8.828 purchase of agricultural products plus R0.933m intercompany interest income (2014 – R113.231m in long term receivables, R6.701m in long term liabilities, R83.092m purchase of agricultural products plus R17.709m intercompany interest income)

- Semeare Agropecuária Ltda: R9.345m in long term liabilities (2014 – NIL)

- At 31 December 2014 Nelson José Vigolo e Outro: R15.552m in long term liabilities

The balances which are owed to the LLP are subject to interest ranging from 4% to 9% per annum, and are not subject to financial charges. The balances are indexed to the US dollar.

## **ABJ Trading LLP**

### **Notes to the Financial Statements *(continued)***

**Year Ended 31 December 2015**

#### **11. Subsequent Events**

Following a deterioration in trading, the Bom Jesus Group and the LLP entered into an in-court reorganisation request on 31 May 2016 and was approved by the court on 9 June 2016. Further details are provided in note 1.2 – Going concern.