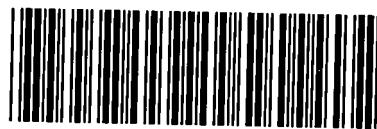


**ABJ Trading LLP**  
**Financial Statements**  
**For the Year Ended**  
**31 December 2016**

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COMPANIES HOUSE

**ABJ Trading LLP**  
**Financial Statements**  
**Year Ended 31 December 2016**

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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**

EHK Consulting Ltd  
434 Finchley Road  
London  
NW2 2HY

# **ABJ Trading LLP**

## **Members' Report**

**Year Ended 31 December 2016**

The members present their report on the LLP for the year ended 31 December 2016.

### **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.

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 profit for the financial year of R0.871m (2015: R13.196m loss) before the currency translation loss (2015: profit) in the Statement of Comprehensive income on that page. The total members' interests of the LLP total R18.599m (2015: R26.185m).

### **Principal Risks and Uncertainties**

#### Going concern

The Bom Jesus Group is a related party of ABJ Trading LLP in that the owners of the members of the LLP are also the owners of the Bom Jesus Group.

During the year, on 31 May 2016, Bom Jesus entered into an in-court reorganisation request. Due to the relationship between the two entities, the in-court reorganisation request extended to the ABJ Trading LLP. The in-court reorganisation request was approved by the court on 9 June 2016 and the recovery plan was approved in a General Meeting of Creditors on 9 August 2017.

# **ABJ Trading LLP**

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

### **Year Ended 31 December 2016**

Under the in-court reorganisation 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 reorganisation new payables contracted by the LLP after 7 June 2016 are to be paid in accordance with contractual terms.

Following entering the in-court reorganisation request, operations have continued. The LLP is only delivering the forward contracts agreed in prior years in order to fulfil contractual agreements.

As disclosed in note 6 on page 19, as at 31 December 2016 the LLP had a non- current receivable of almost R140m with the related party Bom Jesus Agropecuária Ltda that is part of the in-court reorganisation 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 almost R140m 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 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 analyses the market trends.

# **ABJ Trading LLP**

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

**Year Ended 31 December 2016**

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

Financial amounts which produce interest income for the LLP are represented mainly by export prepayments which, being subject to fixed interest rates, are exposed to the risk of interest rates in situations of any 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 analysing 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 member of the LLP.

### ***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.

# ABJ Trading LLP

## Members' Report *(continued)*

**Year Ended 31 December 2016**

### ***Sensitivity Analysis***

At 31 December 2016 if the Brazilian Real had weakened 10 percent against the US Dollar with all other variables held constant, the profit for the financial year of R871,000 on page 10 of these financial statements would have been R87,000 higher at R958,000 and the loss of R7,586,000 shown at the end of the statement of other comprehensive income on page 10 of these financial statements would have been R759,000 higher at R8,345,000, 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 R87,000 lower at R784,000 and the loss of R7,586,000 shown at the end of the statement of other comprehensive income would have been R759,000 lower at R6,827,000.

### **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 continue to 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



PP AVG Investors Ltd

Designated member

Approved by the members on 24 August 2018

**ABJ Trading LLP**  
**Statement of Members' Responsibilities**  
**Year Ended 31 December 2016**

The members present their report and the audited financial statements of the LLP for the year ended 31 December 2016.

**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 UK law. Under UK 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 2016

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



PP AVG Investors Ltd

Designated member

Approved by the members on 24 August 2018

# **ABJ Trading LLP**

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

**Year Ended 31 December 2016**

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

#### **Basis for disclaimer of opinion on financial statements**

We were not appointed as auditors of the company until after 31 December 2016 thus did not verify prior year balances. It has not proved practicable for the LLP to arrange for us to be provided with all the information and explanations we require to form our opinion in particular we were unable to obtain adequate evidence for the 31 December 2015 balances from the members and /or previous accountants / auditors. Also we have not received direct confirmation from all of the LLP's banks, debtors and creditors for the year ended 31 December 2016. We also have not received aged analysis of debtors and creditors as at 31 December 2016. We were unable to satisfy ourselves by alternative means concerning the opening balances. The accounts receivables at R\$147,204k, Cash at R\$1,284k and ability to pay off accounts payables at R\$129,913k due to going concern issue exist which are stated in the statement of financial position and note 1.2 of the financial statements. In addition, we have not received third party confirmation letter e. g. Banks confirmation and Bom Jesus Agropecuária Ltda and proof of their ability to repay LLP debts. As of the date of our report, management was still in the process of arranging those comfort letters from the relevant authorities. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded assets and liabilities, and the elements making up the statement of comprehensive income, statement of changes in equity and statement of cash flows.

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

In donning our opinion on the financial statements we have considered the adequacy of disclosures in Note 1.2 to the financial statements, regarding the LLP's ability to continue as a going concern which indicated that there are material uncertainties regarding the recoverability of almost R\$ 140 million receivable from the related party Bom Jesus Agropecuaria Ltda., which will depend on the conclusion of the arrangements referred to in the above mentioned Note 1.2.

Should the LLP or the Bom Jesus Group not be able to fulfil the terms of the reorganisation request, the LLP may no longer be viable. These conditions indicate the existence of material uncertainties that may cast significant doubt about the ability of the LLP to continue as a going concern. The financial statements do not include any adjustments that would result if the LLP were unable to continue as a going concern.

#### **Disclaimer of opinion**

We do not express an opinion on the accompanying financial statements of the company. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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

We were engaged to audit the financial statements of ABJ Trading LLP (the 'LLP') for the year ended 31 December 2016 which comprise:

- the Statement of Financial Position as at 31 December 2016;
- 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 of the LLP have made a number of subjective judgments, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

# ABJ Trading LLP

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

Year Ended 31 December 2016

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

Adequacy of accounting records and information and explanations received

Notwithstanding our disclaimer of an opinion on the financial statements, in the light of the knowledge and understanding of the company and its environments obtained in the course of the audit performed subject to the pervasive limitations described above, we have not identified material misstatements in the members' report.

Arising from the limitation of our work referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- We were unable to determine whether adequate accounting records have been kept

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

- Returns adequate for our audit have not been received from any branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

Apart from those matters mentioned above and on the preceding page of this report above our disclaimer of opinion, we have no further exceptions to report arising from this responsibility.

### Responsibilities for the financial statements and the audit

Our responsibilities and those of the members

As explained more fully in the Statement of Members' Responsibilities set out on page 6, the two members of the LLP 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) ("ISAs (UK)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK). 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 circumstances of the LLP and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the two members of the LLP; and
- the overall presentation of the financial statements.

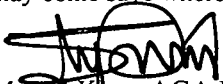
We primarily focus our work in these areas by assessing those members' judgments against available evidence, forming our own judgments, and evaluating the disclosures in the financial statements.

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 or substantive procedures or a combination of both as appears appropriate.

In addition, we read all the financial and non-financial information in the financial statements to identify any 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.

### Use of our report

This report, including the disclaimer of opinion, has been prepared for and only for the LLP and its members 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. To the fullest extent permitted by law, 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.

  
M E H Khan ACA FCCA (Senior Statutory Auditor)  
For and on behalf of EHK Consulting Ltd, London

4<sup>th</sup> SEPTEMBER 2018

# ABJ Trading LLP

## Income Statement

For the Year Ended 31 December 2016

	Note	2016 R'000	2015 R'000
Revenue	2	76,447	481,971
Cost of sales	2	(66,239)	(464,896)
<b>Gross Profit</b>		<b>10,208</b>	<b>17,075</b>
Administrative expenses		(1,170)	(23,346)
<b>Operating (Loss)/Profit</b>	3	<b>9,038</b>	<b>(6,271)</b>
Interest receivable	5	5,361	1,936
Interest payable and similar charges	5	(13,528)	(8,861)
<b>(Loss)/Profit for the Financial Year</b>		<b>871</b>	<b>(13,196)</b>

## Statement of Comprehensive Income

For the Year Ended 31 December 2016

	2016 R'000	2015 R'000
<b>(Loss)/Profit for the Financial Year</b>	<b>871</b>	<b>(13,196)</b>
Currency translation adjustments	(8,457)	11,846
<b>Total Comprehensive (Loss)/Income for the Financial Year</b>	<b>(7,586)</b>	<b>(1,350)</b>

The notes on pages 14 to 22 form part of these financial statements.

**ABJ Trading LLP**  
**Statement of Financial Position**  
**as at 31 December 2016**

		2016	2015
	Note	R'000	R'000
<b>Non-Current Assets</b>			
Trade and other receivables	6	147,204	193,215
<b>Current Assets</b>			
Trade and other receivables	6	23	19,575
Cash and cash equivalents		1,285	21,654
<b>Total Current Assets</b>		<b>1,308</b>	<b>41,229</b>
<b>Total Assets</b>		<b>148,512</b>	<b>234,444</b>
<b>Current Liabilities</b>			
Borrowings	7	(26,712)	(151,919)
Trade payables	8	(128)	(22,828)
Other payables	8	(1,117)	(1,645)
<b>Total Current Liabilities</b>		<b>(27,957)</b>	<b>(176,392)</b>
<b>Non-Current Liabilities</b>			
Borrowings	7	(68,441)	-
Amounts owed to related parties	10	(33,515)	(31,867)
<b>Total Non-Current Liabilities</b>		<b>(101,956)</b>	<b>(31,867)</b>
<b>Total Liabilities</b>		<b>(129,913)</b>	<b>(208,259)</b>
<b>Net Assets</b>		<b>18,599</b>	<b>26,185</b>
<b>Equity</b>			
<b>Members' Interests</b>			
Members' capital		70	70
Members' foreign exchange reserve		4,581	13,038
Members' other reserves		13,948	13,077
<b>Total Members' Interests</b>		<b>18,599</b>	<b>26,185</b>

These financial statements were approved by the members and authorised for issue on 24 August 2018, and are signed on their behalf by:



PP AVG Investors Ltd  
Registered Number: OC377681

The notes on pages 14 to 22 form part of these financial statements.

# ABJ Trading LLP

## Statement of Changes in Equity

For the Year Ended 31 December 2016

	<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 2015	70	1,192	26,273	27,535
Movement in the 2015 financial year	–	11,846	(13,196)	(1,305)
Members' interests after loss for the - financial year	70	13,038	13,077	26,185
Balance at 1 January 2016	70	13,038	13,077	26,185
Movement in the 2016 financial year	–	(8,457)	871	(7,586)
Members' interests after loss for the financial year	70	4,581	13,948	18,599
Balance at 31 December 2016	70	4,581	13,948	18,599

The notes on pages 14 to 22 form part of these financial statements.

# ABJ Trading LLP

## Statement of Cash Flows

For the Year Ended 31 December 2016

	2016	2015
	R'000	R'000
<b>Cash flows from operating activities</b>		
(Loss)/Profit for the financial year	871	(13,196)
<b>Adjustments for:</b>		
Interest receivable	(5,361)	(1,936)
Interest payable	13,528	8,861
	<u>9,038</u>	<u>(6,271)</u>
<b>Changes in working capital:</b>		
Decrease in trade and other receivables	19,183	16,718
Increase/(Decrease) in trade payables	(22,700)	20,473
Increase/(Decrease) in other payables	(528)	1,642
Decrease /(Increase) in non-current receivables	51,372	(78,048)
	<u>47,327</u>	<u>(39,215)</u>
<b>Net cash inflow/(outflow) from operating activities</b>	<u>56,365</u>	<u>(45,486)</u>
<b>Cash flows from financing activities</b>		
Proceeds from/(repayment on) transactions with related parties and borrowings	(68,277)	51,746
<b>Net cash inflow/(outflow) from financing activities</b>	<u>(68,277)</u>	<u>51,746</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<u>(11,912)</u>	<u>6,260</u>
<b>Effects of exchange rate changes on cash and cash equivalents</b>	<u>(8,457)</u>	<u>11,846</u>
<b>Cash and cash equivalents at beginning of year</b>	<u>21,654</u>	<u>3,548</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>1,285</u></u>	<u><u>21,654</u></u>

The notes on pages 14 to 22 form part of these financial statements.

# **ABJ Trading LLP**

## **Notes to the Financial Statements**

**Year Ended 31 December 2016**

### **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 UK limited liability partnerships reporting under IFRS.

#### **1.2 Going concern**

For the year ended 31 December 2016 the LLP recorded a profit of only R0.871m for the year ended 31 December 2016, and as at 31 December 2016 the LLP had net current liabilities of R28m.

The Bom Jesus Group is a related party of ABJ Trading LLP in that owners of the members of the LLP are also the owners of the Bom Jesus Group.

On 31 May 2016 Bom Jesus entered into an in-court reorganisation request. Due to the relationship between the two entities, the in-court reorganisation request extended to the ABJ Trading LLP. The in-court reorganisation request was approved by the court on 9 June 2016 and the recovery plan was approved in a General Meeting of Creditors on 9 August 2017.

Under the in-court reorganisation 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 reorganisation new payables contracted by the LLP after 7 June 2016 are to be paid in accordance with contractual terms.

Following entering the in-court reorganisation request, operations have continued. The LLP is only delivering the forward contracts agreed in prior years in order to fulfil contractual agreements.

As disclosed in note 6 on page 19, as at 31 December 2016 the LLP had a non- current receivable of almost R140m with Bom Jesus Agropecuária Ltda, a related party that is also part of the in-court reorganisation 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 almost R140m 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.



# **ABJ Trading LLP**

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

**Year Ended 31 December 2016**

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

#### **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 2016 (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.

Financial assets and liabilities are offset, and the net amount is reported in the Statement of Financial Position, 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.

# **ABJ Trading LLP**

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

**Year Ended 31 December 2016**

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

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

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 reorganisation, 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.

#### **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 2016. 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.

# **ABJ Trading LLP**

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

**Year Ended 31 December 2016**

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

#### **1.5 Foreign Currencies *(continued)***

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 2016 were R3.2550=US\$1 and R4.0046=£1 and the average exchange rates for 2016 were R3.4867=US\$1 and R4.7217=£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 amortised 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 include 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.

#### **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.

# ABJ Trading LLP

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

### Year Ended 31 December 2016

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

##### 1.9 Accounting Estimates and Significant Judgments *(continued)*

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.

#### 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:

	2016 R'000	2015 R'000
Feather cotton	132	25,535
Corn industry	8,124	51,147
Soya industry	43,950	396,521
Cottonseed	10,126	6,275
Others	14,115	2,493
	<u>76,447</u>	<u>481,971</u>

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

	2016 R'000	2015 R'000
Feather cotton	-	26,183
Corn industry	8,850	46,624
Soya industry	40,708	386,827
Cottonseed	8,737	5,262
Other	7,944	-
	<u>66,239</u>	<u>464,896</u>

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

Operating (loss)/profit is stated after:

	2016 R'000	2015 R'000
Net (loss)/profit on foreign currency translation	13	(375)
Net (losses)/gains on fair value of forward contracts	<u>1,649</u>	<u>(10,525)</u>

Fees payable to the UK auditor for the audit of the 2016 financial statements are estimated to be £15,000 so approximately R60,000 at the time of approval of these financial statements (2015: £42,000 / R168,000).

# ABJ Trading LLP

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

### Year Ended 31 December 2016

#### 4. Employee Information

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

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

	2016 R'000	2015 R'000
Income on financial investments	-	14
Interest income from related parties	5,355	1,842
Other finance income	6	80
Interest receivable	<u>5,361</u>	<u>1,936</u>
Interest expense	9,125	8,787
Interest expense to related parties	2,938	
Other finance costs	1,465	74
Interest payable and similar charges	<u>13,528</u>	<u>8,861</u>

#### 6. Trade and other receivables

	2016 R'000	2015 R'000
Trade receivables	23	16,170
Other receivables	-	369
Prepayments and accrued income	-	3,036
	<u>23</u>	<u>19,575</u>
Judicial deposits	7,349	-
Amounts receivable from related parties (note 10)	139,855	193,215
	<u>147,227</u>	<u>212,790</u>

No financial assets are determined to be impaired.

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

	2016 R'000	2015 R'000
Judicial deposits	7,349	
Amounts receivable from related parties	<u>139,855</u>	<u>193,215</u>

The non-current receivables of R147.204m all fall due within the next five years from the year end of 31 December 2016 (R193.215m falling due within five years from 31 December 2015).

# ABJ Trading LLP

## Notes to the Financial Statements (continued)

Year Ended 31 December 2016

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

Prepayments have been made to the following suppliers:

	2016 R'000	2015 R'000
Carlos Alberto Moresco	-	647
Others	-	2,389
	<u>-</u>	<u>3,036</u>

The above R0.023m of trade receivables (2015 – R16.17m) are receivable from the following customers:

	2016 R'000	2015 R'000
Concordia Agritrading Pte Ltd	23	-
Paul Reinhart AG	-	4,051
Louis Dreyfus Commodities Brasil SA	-	3,646
Louis Dreyfus Commodities Suesse SA	-	2,534
Ameropa Asia PTE	-	2,273
Marubeni America Corporation	-	1,129
Penny Newman Grain Company	-	1,035
Agrozan Tarim Urunleri	-	875
Sumitomo Corporation	-	289
O Sung Feed Co Ltd	-	246
Others	-	92
	<u>23</u>	<u>16,170</u>

### 7. Borrowings

Current borrowings of R26.712m (2015 – R151.919m) and non current borrowings of R68.441m are secured against properties of, and guarantees from, associated parties.

At 31 December 2016 these borrowings related to pre-export finance indexed to the US Dollars with interest rates between 4% and 9% per annum.

On 31 May 2016 Bom Jesus Group entered into an in-court reorganisation request. Due to the relationship between the two entities, the in-court reorganisation request extended to the ABJ Trading LLP. The in-court reorganisation 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 reorganisation.

# ABJ Trading LLP

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

Year Ended 31 December 2016

### 8. Trade and other payables

	2016 R'000	2015 R'000
PricewaterhouseCoopers LLP	84	-
Engelhart CTP Switzerland SA	44	-
Cooperativa Agroindustrial Do Centro Oeste Ltda	-	10,522
Dionisio João Zanotto	-	9,940
Vanguarda Agro SA	-	2,217
Others	-	149
Trade liabilities payable	<u>128</u>	<u>22,828</u>
	2016 R'000	2015 R'000
Other liabilities payable	<u>1,117</u>	<u>1,645</u>

### 9. Financial instruments at fair value

The following forward contracts of commodities, that had been entered into before 1 January 2016 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
<u>2015</u>						
Cotton	Forward market	Purchased	<u>3,283</u> tons	<u>-</u>	<u>(1,645)</u>	<u>(1,645)</u>
Total			<u>3,283</u>	<u>-</u>	<u>(1,645)</u>	<u>(1,645)</u>

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

# **ABJ Trading LLP**

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

**Year Ended 31 December 2016**

### **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 balances in the Statement of Financial Position are as follows:

- ABJ Comércio Agrícola Ltda: R0.031m in long term receivables and R12.006m in non-current liabilities (2015 – R0.036m in non-current receivables and R1.885m in non-current liabilities)

- Bom Jesus Agropecuária Ltda: R139.824m in non-current receivables and R21.509m in non-current liabilities (2015 – R193.179m in non-current receivables and R20.637m in non-current liabilities)

- Semeare Agropecuária Ltda: 2015 – R9.345m in non-current liabilities

The related party balances which are owed to the LLP are subject to interest receivable arising thereon ranging from 4% to 9% per annum, but the liabilities owed to related parties are not subject to any such financial charges. The balances are indexed to the US dollar.

The related parties amounts within the income and expenditure of the year are as follows:

- ABJ Comércio Agrícola Ltda: R34.360m purchase of agricultural products (2015 - R144.674m)

- Bom Jesus Agropecuária Ltda: R5.355m intercompany interest income (2015 - R1.842m intercompany interest income and R8.828m purchase of agricultural products)