AB LINAS AGRO GROUP

CONSOLIDATED AND COMPANY'S

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR 2013/14

ENDED 30 JUNE 2014

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS,
AS ADOPTED BY THE EUROPEAN UNION, PRESENTED
TOGETHER
WITH INDEPENDENT AUDITOR'S REPORT

Building a better working world

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PVM mokėtojo kodas LT108784411
Juridinių asmenų registras

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Code of legal entity 110878442
VAT payer code LT108784411
Register of Legal Entities

Independent auditor's report to the shareholders of AB Linas Agro Group

Report on the Financial Statements

We have audited the accompanying financial statements of AB Linas Agro Group, a public limited liability company registered in the Republic of Lithuania (hereinafter the Company), and the consolidated financial statements of AB Linas Agro Group and subsidiaries (hereinafter the Group), which comprise the statements of financial position as at 30 June 2014, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes (comprising a summary of significant accounting policies and other explanatory information).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as set forth by the International Federation of Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 30 June 2014, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the consolidated Annual Report for the year ended 30 June 2014 and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 30 June 2014.

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 001335

Jonas Akelis
Auditor's licence
No. 000003

The audit was completed on 3 October 2014.

STATEMENTS OF FINANCIAL POSITION

	Notes	Group		Company	
		As at 30 June 2014	As at 30 June 2013	As at 30 June 2014	As at 30 June 2013
ASSETS					
Non-current assets					
Intangible assets	5	1,265	1,002	570	323
Property, plant and equipment	6	351,777	196,203	–	–
Investment property	7	5,384	11,927	456	486
Animals and livestock	10	25,216	19,471	–	–
Non-current financial assets					
Investments into subsidiaries	3	–	–	309,005	249,067
Investments into associates		–	–	6,045	3,907
Other investments and prepayments for financial assets	8	59	9,106	9,736	30,026
Non-current receivables	9	5,607	3,233	–	403
Non-current receivables from related parties	9, 32	1,198	2,540	18,941	–
Total non-current financial assets		6,864	14,879	343,727	283,403
Deferred income tax asset	28	7,544	5,845	–	8
Total non-current assets		**398,050**	**249,327**	**344,753**	**284,220**
Current assets					
Crops	10	49,094	40,946	–	–
Livestock	10	6,742	–	–	–
Inventories	11	233,562	168,116	–	–
Prepayments	12	17,487	9,009	66	66
Accounts receivable					
Trade receivables	13	307,624	273,160	1	–
Receivables from related parties	32	914	15,515	12,945	38,346
Income tax receivable		5,181	336	295	264
Other accounts receivable	14	23,559	28,536	4,736	533
Total accounts receivable		337,278	317,547	17,977	39,143
Other current financial assets	15	2,164	2,202	–	–
Cash and cash equivalents	16	29,804	34,240	2,055	3,252
Total current assets		**676,131**	**572,060**	**20,098**	**42,461**
Total assets		**1,074,181**	**821,387**	**364,851**	**326,681**

(cont'd on the next page)

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION (CONT'D)

EQUITY AND LIABILITIES	Notes	Group		Company	
		As at 30 June 2014	As at 30 June 2013	As at 30 June 2014	As at 30 June 2013
Equity attributable to equity holders of the parent					
Share capital	1	158,940	158,940	158,940	158,940
Share premium	1	79,545	79,545	79,545	79,545
Legal reserve		8,148	7,851	8,148	7,851
Reserve for own shares	17	6,300	1,600	6,300	1,600
Own shares	17	(1,581)	(1,581)	(1,581)	(1,581)
Foreign currency translation reserve	17	(151)	(138)	–	–
Retained earnings		264,307	190,905	82,955	70,191
Total equity attributable to equity holders of the parent		**515,508**	**437,122**	**334,307**	**316,546**
Non-controlling interest		**9,635**	**3,374**	**–**	**–**
Total equity		**525,143**	**440,496**	**334,307**	**316,546**
Liabilities					
Non-current liabilities					
Grants and subsidies	18	23,998	14,360	–	–
Non-current borrowings	19	96,792	31,885	16,919	–
Finance lease obligations	20	5,809	5,390	–	–
Non-current trade payables		1,122	648	–	–
Non-current payables to related parties	32	–	–	170	167
Deferred income tax liability	28	5,279	2,341	1	–
Non-current employee benefits		671	584	–	–
Total non-current liabilities		**133,671**	**55,208**	**17,090**	**167**
Current liabilities					
Current portion of non-current borrowings	19	21,693	19,935	4,834	–
Current portion of finance lease obligations	20	2,796	2,445	–	–
Current borrowings	19, 32	217,727	146,634	5,683	8,227
Trade payables	22	111,192	96,053	7	1,500
Payables to related parties	32	7,458	3,201	2,808	–
Income tax payable		1,631	6,250	–	–
Derivative financial instruments	15	870	2,790	–	–
Other current liabilities	23	52,000	48,375	122	241
Total current liabilities		**415,367**	**325,683**	**13,454**	**9,968**
Total equity and liabilities		**1,074,181**	**821,387**	**364,851**	**326,681**

The accompanying notes are an integral part of these financial statements.

Managing Director	Darius Zubas		3 October 2014
Finance Director	Tomas Tumėnas		3 October 2014
Chief Accountant	Ramutė Masiokaitė		3 October 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Financial year ended 30 June 2014	30 June2013
Sales	4	2,018,357	2,043,140
Cost of sales	24	(1,869,200)	(1,884,893)
Gross profit		**149,157**	**158,247**
Operating (expenses)	25	(102,508)	(79,560)
Other income	26	46,917	29,250
Other (expenses)	26	(2,803)	(3,878)
Operating profit		**90,763**	**104,059**
Income from financing activities	27	2,094	1,691
(Expenses) from financing activities	27	(9,971)	(8,753)
Share of profit of associates		–	72
Share of profit of joint ventures		–	4,036
Profit before tax		**82,886**	**101,105**
Income tax	28	(1,264)	(10,607)
Net profit		**81,622**	**90,498**
Net profit attributable to:			
Equity holders of the parent		73,395	90,250
Non-controlling interest		8,227	248
		81,622	**90,498**
Basic and diluted earnings per share (LTL)	29	0.46	0.57
Net profit		**81,622**	**90,498**
Other comprehensive income			
Other comprehensive income, to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(13)	(94)
Total other comprehensive income, to be reclassified to profit or loss in subsequent periods		(13)	(94)
Total comprehensive income, after tax		**81,609**	**90,404**
Total comprehensive income attributable to:			
The shareholders of the Company		73,382	90,156
Non-controlling interest		8,227	248

The accompanying notes are an integral part of these financial statements.

COMPANY'S STATEMENT OF COMPREHENSIVE INCOME

	Notes	Financial year ended	
		30 June 2014	30 June 2013
Income	4	24,465	5,036
Operating (expenses)	25	(2,235)	(2,025)
Operating profit		**22,230**	**3,011**
Income from financing activities	27	2,427	3,334
(Expenses) from financing activities	27	(891)	(190)
Profit before tax		**23,766**	**6,155**
Income tax		(11)	(214)
Net profit		**23,755**	**5,941**
Other comprehensive income		–	–
Total comprehensive income		**23,755**	**5,941**

The accompanying notes are an integral part of these financial statements.

Managing Director	Darius Zubas		3 October 2014
Finance Director	Tomas Tumėnas		3 October 2014
Chief Accountant	Ramutė Masiokaitė		3 October 2014

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Equity attributable to equity holders of the parent									
		Share capital	Own shares	Share premium	Legal reserve	Reserve for own shares	Foreign currency trans-lation reserve	Retained earnings	Subtotal	Non-control-ling interest	Total
Balance as at 1 July 2012		**158,940**	**–**	**79,545**	**4,401**	**1,600**	**(44)**	**106,809**	**351,251**	**4,805**	**356,056**
Net profit for the year		–	–	–	–	–	–	90,250	90,250	248	90,498
Other comprehensive income		–	–	–	–	–	(94)	–	(94)	–	(94)
Total comprehensive income		–	–	–	–	–	(94)	90,250	90,156	248	90,404
Acquisition of subsidiaries	3	–	–	–	–	–	–	–	–	581	581
Declared dividends by Company	29	–	–	–	–	–	–	(4,500)	(4,500)	–	(4,500)
Declared dividends by subsidiaries		–	–	–	–	–	–	–	–	(36)	(36)
Reserves made		–	–	–	3,450	–	–	(3,450)	–	–	–
Acquisition of own shares	1	–	(1,581)	–	–	–	–	(4)	(1,585)	–	(1,585)
Acquisition of minority interest		–	–	–	–	–	–	1,800	1,800	(2,224)	(424)
Balance as at 30 June 2013		**158,940**	**(1,581)**	**79,545**	**7,851**	**1,600**	**(138)**	**190,905**	**437,122**	**3,374**	**440,496**
Balance as at 1 July 2013		**158,940**	**(1,581)**	**79,545**	**7,851**	**1,600**	**(138)**	**190,905**	**437,122**	**3,374**	**440,496**
Net profit for the year		–	–	–	–	–	–	73,395	73,395	8,227	81,622
Other comprehensive income		–	–	–	–	–	(13)	–	(13)	–	(13)
Total comprehensive income		–	–	–	–	–	(13)	73,395	73,382	8,227	81,609
Acquisition of subsidiaries	3	–	–	–	–	–	–	–	–	9,363	9,363
Declared dividends by Company	29	–	–	–	–	–	–	(5,994)	(5,994)	–	(5,994)
Declared dividends by subsidiaries		–	–	–	–	–	–	–	–	(127)	(127)
Transfer to reserves		–	–	–	297	4,700	–	(4,997)	–	–	–
Acquisition of minority interest		–	–	–	–	–	–	10,998	10,998	(11,202)	(204)
Balance as at 30 June 2014		**158,940**	**(1,581)**	**79,545**	**8,148**	**6,300**	**(151)**	**264,307**	**515,508**	**9,635**	**525,143**

(cont'd on the next page)

The accompanying notes are an integral part of these financial statements.

COMPANY'S STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Own shares	Share premium	Legal reserve	Reserve for own shares	Retained earnings	Total
Balance as at 1 July 2012		**158,940**	**–**	**79,545**	**4,401**	**1,600**	**72,204**	**316,690**
Net profit for the year		–	–	–	–	–	5,941	5,941
Total comprehensive income		–	–	–	–	–	5,941	5,941
Declared dividends by Company	29	–	–	–	–	–	(4,500)	(4,500)
Transfer to legal reserve		–	–	–	3,450	–	(3,450)	–
Acquisition/disposal of own shares	1	–	(1,581)	–	–	–	(4)	(1,585)
Balance as at 30 June 2013		**158,940**	**(1,581)**	**79,545**	**7,851**	**1,600**	**70,191**	**316,546**
Balance as at 1 July 2013		**158,940**	**(1,581)**	**79,545**	**7,851**	**1,600**	**70,191**	**316,546**
Net profit for the year		–	–	–	–	–	23,755	23,755
Total comprehensive income		–	–	–	–	–	23,755	23,755
Declared dividends by Company	29	–	–	–	–	–	(5,994)	(5,994)
Transfer to reserves		–	–	–	297	4,700	(4,997)	–
Balance as at 30 June 2014		**158,940**	**(1,581)**	**79,545**	**8,148**	**6,300**	**82,955**	**334,307**

The accompanying notes are an integral part of these financial statements.

Managing Director	Darius Zubas		3 October 2014
Finance Director	Tomas Tumėnas		3 October 2014
Chief Accountant	Ramutė Masiokaitė		3 October 2014

CASH FLOW STATEMENTS

	Notes	Group		Company	
		Financial year ended		Financial year ended	
		30 June 2014	30 June 2013	30 June 2014	30 June 2013
Cash flows from (to) operating activities					
Net profit		81,622	90,498	23,755	5,941
Adjustments for non-cash items:					
Depreciation and amortisation	5, 6, 7	28,878	19,174	38	30
Subsidies amortisation	18	(2,948)	(1,802)	–	–
Share of profit of associates and joint ventures		–	(4,108)	–	–
(Gain) on disposal of property, plant and equipment	26	(975)	(670)	–	–
Change in impairment of property, plant and equipment	6, 7	87	(97)	–	–
Group (gain) loss on acquisition of subsidiaries	3, 26	(22,123)	(25,465)	–	–
(Gain) on disposal of subsidiary	26	(5,587)	–	–	–
(Gain) on disposal of other investments		–	(34)	–	–
Change in allowance and write-offs for receivables and prepayments	25	9,246	3,720	–	–
Inventories write down to net realisable value	11	977	215	–	–
Change in accrued expenses		3,875	7,952	1	(133)
Change in fair value of biological assets	24	1,655	(4,982)	–	–
Liabilities write of	26	(14,142)	–	–	–
Change in deferred income tax	28	(5,004)	40	9	10
Current income tax expenses	28	6,268	10,568		204
Expenses (income) from change in fair value of financial instruments		(4,001)	1,096	–	–
Change of provision for onerous contracts	24	(56)	56	–	–
Dividend (income)		(434)	(155)	(24,184)	(4,756)
Interest (income)	27	(2,094)	(1,691)	(2,427)	(3,334)
Interest expenses	27	9,971	8,753	891	190
		85,215	**103,068**	**(1,917)**	**(1,848)**
Changes in working capital:					
(Increase) decrease in biological assets		(497)	10,138	–	–
(Increase) decrease in inventories		(35,373)	24,523	–	–
(Increase) decrease in prepayments		(5,142)	9,469	–	(5)
Decrease (increase) in trade and other accounts receivable		6,079	(20,521)	(974)	237
Decrease (increase) in restricted cash	15	30	1,912	–	–
(Decrease) increase in trade and other accounts payable		(30,088)	(5,277)	(1,611)	119
Income tax (paid)		(9,894)	(15,613)	–	(11,625)
Net cash flows from (to) operating activities		**10,330**	**107,699**	**(4,502)**	**(13,122)**

(cont'd on the next page)

The accompanying notes are an integral part of these financial statements.

CASH FLOW STATEMENTS (CONT'D)

	Notes	Group		Company	
		Financial year ended		Financial year ended	
		30 June 2014	30 June 2013	30 June 2014	30 June 2013
Cash flows from (to) investing activities					
(Acquisition) of intangible assets, property, plant and equipment and investment property	5, 6, 7	(27,756)	(28,941)	(255)	(23)
Proceeds from sale of intangible assets, property, plant and equipment and investment property		5,585	3,625	–	–
(Acquisition) of subsidiaries (less received cash balance in the Group)	3	(36,893)	(48,679)	(27,940)	(35,804)
Disposal of subsidiaries (less disposed cash balance in the Group)	3	4,532	–	–	–
(Acquisition) of other investments		(89)	–	–	–
Proceeds (acquisition) from disposals of held to maturity financial assets	15	–	38,099	–	37,981
Prepayments for financial assets	8	–	(7,373)	(5,245)	(7,373)
Loans (granted)		(18,151)	(15,660)	(64,638)	(44,149)
Repayment of granted loans		14,550	18,616	25,827	13,464
Interest received		1,583	2,263	829	4,929
Dividends received		434	155	18,828	5,627
Net cash flows from (to) investing activities		**(56,205)**	**(37,895)**	**(52,594)**	**(25,348)**
Cash flows from (to) financing activities					
Proceeds from loans		324,806	101,054	64,945	4,000
(Repayment) of loans		(264,104)	(174,813)	(2,418)	–
(Acquisition) of own shares	29	–	(1,581)	–	(1,581)
Finance lease (payments)		(3,783)	(2,531)	–	–
Interest (paid)		(9,155)	(7,501)	(634)	(116)
Dividends (paid) to non-controlling shareholders		(127)	(36)	–	–
Dividends (paid)		(5,994)	(4,500)	(5,994)	(4,500)
Acquisition of non-controlling interest		(204)	(424)	–	–
Net cash flows from (to) financing activities		**41,439**	**(90,332)**	**55,899**	**(2,197)**
Net (decrease) increase in cash and cash equivalents		**(4,436)**	**(20,528)**	**(1,197)**	**(40,667)**
Cash and cash equivalents at the beginning of the year	16	**34,240**	**54,768**	**3,252**	**43,919**
Cash and cash equivalents at the end of the year	16	**29,804**	**34,240**	**2,055**	**3,252**

(cont'd on the next page)

The accompanying notes are an integral part of these financial statements.

CASH FLOW STATEMENTS (CONT'D)

Supplemental information of cash flows:

		Group		Company	
		Financial year ended		Financial year ended	
		30 June 2014	**30 June 2013**	**30 June 2014**	**30 June 2013**
Non-cash operating activity:					
Income tax payable set off with VAT receivable		5,838	–	–	–
Non-cash investing activity:					
Property, plant and equipment acquisitions financed by finance lease		2,822	5,054	–	–
Property, plant and equipment acquisitions financed by grants and subsidies	18	2,149	4,804	–	–
Unpaid acquisition of financial assets		5,213	1,500	2,798	1,500
Non-cash loans granted (reclassed form prepayments for financial assets)		–	–	4,039	–
Non-cash acquisition of subsidiaries (reclassed form prepayments for financial assets)	3	4,834	–	4 834	–
Non-cash increase in share capital of subsidiaries and associates (set off with current and non-current loans granted and interest receivable)		–	–	29,302	–
Dividends receivable set off with loans payables to subsidiaries and associates		–	–	5,356	–
Non-cash financing activity:					
Non-cash repayment of Company's loan received by setting off with loan granted by the Company		–	–	38,208	–

The accompanying notes are an integral part of these financial statements.

Managing Director	Darius Zubas		3 October 2014
Finance Director	Tomas Tumėnas		3 October 2014
Chief Accountant	Ramutė Masiokaitė		3 October 2014

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

AB Linas Agro Group (hereinafter the Company or the parent) is a public limited liability company registered in the Republic of Lithuania. The Company was registered on 27 November 1995.

The address of its registered office is as follows: Smėlynės Str. 2C, LT-35143 Panevėžys, Lithuania.

The principal activities of the Group are described in Note 4.

The financial year of the Group starts on 1 July of the calendar year and ends on 30 June of the following calendar year.

As at 30 June 2014 and as at 30 June 2013 the shareholders of the Company were:

	As at 30 June2014	
	Number of shares held	**Percentage**
Akola ApS (Denmark)	88,984,443	55.99%
Darius Zubas	17,049,995	10.73%
SEB AS OMNIBUS (Luxembourg) clients	12,866,897	8.10%
Swedbank AS (Estonia) clients	10,404,440	6.55%
Other shareholders (private and institutional investors)	29,634,623	18.63%
Total	**158,940,398**	**100.00%**

	As at 30 June 2013	
	Number of shares held	**Percentage**
Akola ApS (Denmark)	87,784,443	55.23%
Darius Zubas	17,049,995	10.73%
Skandinaviska Enskilda Banken AB (Sweden)	15,131,697	9.52%
Swedbank AS (Estonia) clients	9,824,712	6.18%
Other shareholders (private and institutional investors)	29,149,551	18.34%
Total	**158,940,398**	**100.00%**

All the shares of the Company are ordinary shares with the par value of LTL 1 each as at 30 June 2014 (LTL 1 each as at 30 June 2013) and were fully paid as at 30 June 2014 and as at 30 June 2013.

The Company holds 790,972 of its own shares, percentage 0.50%, as at 30 June 2014 and as at 30 June 2013. Subsidiaries and other related companies did not hold any shares of the Company as at 30 June 2014 and as at 30 June 2013.

All of the Company's 158,940,398 ordinary shares are included in the Official list of NASDAQ OMX Vilnius stock exchange (ISIN code LT0000128092). The Company's trading ticker in NASDAQ OMX Vilnius stock exchange is LNA1L.

As at 30 June 2014 the number of employees of the Group was 2,266 (1,039 as at 30 June 2013).
As at 30 June 2014 and 30 June 2013 the number of employees of the Company was 9.

The Company's management approved these financial statements on 3 October 2014. The shareholders of the Company have a statutory right to approve these financial statements or not to approve them and to require preparation of a new set of financial statements.

No changes in share capital occurred during the years ending 30 June 2014 and 30 June 2013.

2. ACCOUNTING PRINCIPLES

If not stated otherwise, the Company's standalone financial statements are prepared using the same accounting policies as the ones used by the Group.

The principal accounting policies adopted in preparing the Group's financial statements for the year ended 30 June 2014 are as follows:

2.1. BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis, except for biological assets, commitments to purchase agricultural produce (unrecognized firm commitment), derivative financial instruments and financial instruments held for trading which have been measured at fair value.

These financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (hereinafter the EU).

Adoption of new and/or changed IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations

During the year the Group/Company has adopted the following IFRS and IAS amendments:

- Amendment to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities;
- IFRS 13 Fair Value Measurement;
- Amendment to IAS 1 Financial Statement Presentation - Presentation of Items of Other Comprehensive Income;
- Amendment to IAS 19 Employee Benefits;
- IFRIC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine.*

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group/Company, its impact is described below:

IFRS 13 *Fair Value Measurement*

The main reason of issuance of IFRS 13 is to reduce complexity and improve consistency in application when measuring fair value. It does not change when an entity is required to use fair value but, rather, provides guidance on how to measure fair value under IFRS when fair value is required or permitted by IFRS.
The adoption of the standard had no impact on the financial position or performance of the Group, however has resulted in additional disclosures in financial statements of the Group including: detailed explanation of fair value measurement presented in accounting policy (Note 2.27); additional disclosures regarding the level of the fair value hierarchy within which the fair value measurements are categorised in their entirety; a description of the valuation technique(s) and the inputs used in the fair value measurement; quantitative information about the significant unobservable inputs used in the fair value measurement; a description of the valuation processes used by the entity; a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs (Notes 2.16., 2.28.)

Amendment to IAS 1 *Financial Statement Presentation* - Presentation of Items of Other Comprehensive Income (OCI)

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affected presentation the statement of comprehensive income only and had no impact on the Group's financial position or performance.

Standards issued but not yet effective and not early adopted

The Group has not applied the following IFRS and IFRIC interpretations that have been issued as at the date of authorisation of these financial statements for issue, but which are not yet effective:

IAS 16 *Property, Plant & Equipment and IAS 38 Intangible assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortization* (effective for financial years beginning on or after 1 January 2016 once endorsed by the EU)

The amendment provides additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. This amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The implementation of this amendment will not have any impact on the financial statements of the Group.

2.ACCOUNTING PRINCIPLES (CONT'D)

2.1. BASIS OF PREPARATION (CONT'D)

Standards issued but not yet effective and not early adopted (cont'd)

IAS 16 ***Property, Plant & Equipment and IAS 41 Agriculture (Amendment): Bearer Plants*** (effective for financial years beginning on or after 1 January 2016 once endorsed by the EU)

Bearer plants will now be within the scope of IAS 16 Property, Plant and Equipment and will be subject to all of the requirements therein. This includes the ability to choose between the cost model and revaluation model for subsequent measurement. Agricultural produce growing on bearer plants (e.g., fruit growing on a tree) will remain within the scope of IAS 41 Agriculture. Government grants relating to bearer plants will now be accounted for in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, instead of in accordance with IAS 41. The Group has not yet evaluated the impact of the implementation of this amendment.

IAS 19 ***Defined Benefit Plans (Amended): Employee Contributions*** (effective for financial years beginning on or after 1 July 2014 once endorsed by the EU)

The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The implementation of this amendment will not have any impact on the financial statements of the Group.

Amendment to IAS 27 ***Separate Financial Statements*** (effective for financial years beginning on or after 1 January 2014)

As a result of the new standards IFRS 10, IFRS 11 and IFRS 12 this standard was amended to contain accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. IAS 27 Separate Financial Statements requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments. The implementation of this amendment will not have any impact on the financial position or performance of the Group, however may result in additional disclosures in the financial statements of the Company.

Amendment to IAS 28 ***Investments in Associates and Joint Ventures*** (effective for financial years beginning on or after 1 January 2014)

As a result of the new standards IFRS 10, IFRS 11 and IFRS 12 this standard was renamed and addresses the application of the equity method to investments in joint ventures in addition to associates. The implementation of this amendment will not have any impact on the financial position or performance of the Group, however may result in additional disclosures in the financial statements of the Company.

Amendment to IAS 32 ***Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*** (effective for financial years beginning on or after 1 January 2014)

This amendment clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarifies the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The implementation of this amendment will not have any impact on the financial statements of the Group.

Amendment to IAS 36 ***Impairment of Assets*** (effective for financial years beginning on or after 1 January 2014)

This amendment adds a few additional disclosure requirements about the fair value measurement when the recoverable amount is based on fair value less costs of disposal and removes an unintended consequence of IFRS 13 to IAS 36 disclosures. The amendment will not have any impact on the financial position or performance of the Group, however may result in additional disclosures.

IAS 39 ***Financial Instruments (Amended): Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*** (effective for financial years beginning on or after 1 January 2014)

Under the amendment there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The IASB made a narrow-scope amendment to IAS 39 to permit the continuation of hedge accounting in certain circumstances in which the counterparty to a hedging instrument changes in order to achieve clearing for that instrument. The amendment will not have any impact on the financial statements of the Group.

2. ACCOUNTING PRINCIPLES (CONT'D)

2.1. BASIS OF PREPARATION (CONT'D)

Standards issued but not yet effective and not early adopted (cont'd)

IFRS 9 *Financial Instruments: Classification and Measurement and subsequent amendments to IFRS 9 and IFRS 7-Mandatory Effective Date and Transition Disclosures; Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39*

IFRS 9 reflects the IASBs work on the replacement of IAS 39 and is being published in three phases. Phase 1 applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of financial assets, but will not have an impact on classification and measurements of financial liabilities. In phases 2 and 3, the IASB will address hedge accounting and impairment of financial assets. The second package of amendments issued in November 2013 initiate further accounting requirements for financial instruments. These amendments a) bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements; b) allow the changes to address the so-called 'own credit' issue that were already included in IFRS 9 Financial Instruments to be applied in isolation without the need to change any other accounting for financial instruments; and c) remove the 1 January 2015 mandatory effective date of IFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements. The IASB is currently working on drafting the final requirements on impairment. This standard and subsequent amendments have not yet been endorsed by the EU. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 10 *Consolidated Financial Statements* (effective for financial years beginning on or after 1 January 2014)

IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and, therefore, are required to be consolidated by a parent. Examples of areas at significant judgment include evaluating de facto control, potential voting rights or whether a decision maker is acting as a principal or agent. IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements and replaces SIC 12 Consolidation — Special Purpose Entities. The implementation of this standard will not have any impact on the financial statements of the Group.

IFRS 11 *Joint Arrangements* (effective for financial years beginning on or after 1 January 2014)

IFRS 11 eliminates proportionate consolidation of jointly controlled entities. Under IFRS 11, jointly controlled entities, if classified as joint ventures (a newly defined term), must be accounted for using the equity method. Additionally, jointly controlled assets and operations are joint operations under IFRS 11, and the accounting for those arrangements will generally be consistent with today's accounting. That is, the entity will continue to recognize its relative share of assets, liabilities, revenues and expenses. The implementation of this standard will not have any impact on the financial statements of the Group.

IFRS 11 Joint arrangements (Amendment): Accounting for Acquisitions of Interests in Joint Operations (effective for financial years beginning on or after 1 January 2016 once endorsed by the EU)

IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The Group has not yet evaluated the impact of the implementation of this amendment.

IFRS 12 *Disclosures of Interests in Other Entities* (effective for financial years beginning on or after 1 January 2014)

IFRS 12 combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, investments in associates and structured entities into one comprehensive disclosure standard. A number of new disclosures also will be required such as disclosing the judgments made to determine control over another entity. The standard will result in additional disclosures in the Group's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 - *Investment Entities* (effective for financial years beginning on or after 1 January 2014)

The amendments apply to entities that qualify as investment entities. The amendments provide an exception to the consolidation requirements of IFRS 10 by requiring investment entities to measure their subsidiaries at fair value through profit or loss, rather than consolidate them. The implementation of this amendment will not have any impact on the financial statements of the Group/, as the Company is not an investment entity.

2.ACCOUNTING PRINCIPLES (CONT'D)

2.1.BASIS OF PREPARATION (CONT'D)

Standards issued but not yet effective and not early adopted (cont'd)

IFRS 14 *Regulatory Deferral Accounts* (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

The aim of this interim standard is to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities, whereby governments regulate the supply and pricing of particular types of activity. This can include utilities such as gas, electricity and water. Rate regulation can have a significant impact on the timing and amount of an entity's revenue. The IASB has a project to consider the broad issues of rate regulation and plans to publish a Discussion Paper on this subject in 2014. Pending the outcome of this comprehensive Rate-regulated Activities project, the IASB decided to develop IFRS 14 as an interim measure. IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. The implementation of this standard will not have any impact on the financial statements of the Group.

IFRS 15 Revenue from Contracts with Customers (effective for financial years beginning on or after 1 January 2017, once endorsed by the EU)

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The Group has not yet evaluated the impact of the implementation of this standard.

IFRIC Interpretation 21 *Levies* (effective for financial years beginning on or after 17 June 2014)

This interpretation addresses the accounting for levies imposed by governments. Liability to pay a levy is recognized in the financial statements when the activity that triggers the payment of the levy occurs. The implementation of this interpretation will not have any impact on the financial statements of the Group.

The **IASB has issued the Annual Improvements to IFRSs 2010 – 2012 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 July 2014. These annual improvements have not yet been endorsed by the EU. The Company/Group has not yet evaluated the impact of the implementation of these improvements.

- ***IFRS 2 Share-based Payment:*** This improvement amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').
- ***IFRS 3 Business combinations:*** This improvement clarifies that contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments.
- ***IFRS 8 Operating Segments:*** This improvement requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.
- ***IFRS 13 Fair Value Measurement:*** This improvement in the Basis of Conclusion of IFRS 13 clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.
- ***IAS 16 Property Plant & Equipment:*** The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
- ***IAS 24 Related Party Disclosures:*** The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.
- ***IAS 38 Intangible Assets:*** The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

2. ACCOUNTING PRINCIPLES (CONT'D)

2.1. BASIS OF PREPARATION (CONT'D)

Standards issued but not yet effective and not early adopted (cont'd)

The **IASB has issued the Annual Improvements to IFRSs 2011 – 2013 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 July 2014. These annual improvements have not yet been endorsed by the EU. The Company/Group has not yet evaluated the impact of the implementation of these improvements.

- ***IFRS 3 Business Combinations:*** This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- ***IFRS 13 Fair Value Measurement:*** This improvement clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.
- ***IAS 40 Investment Properties:*** This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other.

2.2. FUNCTIONAL AND PRESENTATION CURRENCY

The amounts shown in these financial statements are presented in the local currency of the Republic of Lithuania, Litas (LTL). The functional currency of the Group companies operating in Lithuania is Litas. The functional currencies of foreign subsidiaries are the respective foreign currencies of the country of residence. Items included in the financial statements of these subsidiaries are measured using their functional currency.

Transactions in foreign currencies are initially recorded in the functional currency as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange as at the date of the statement of financial position. Translation difference is presented under other activities caption in the Group's financial statements and under operating expenses caption in the Company's separate financial statements.

The assets and liabilities of foreign subsidiaries are translated into Litas at the reporting date using the rate of exchange as at the date of the statement of financial position, and their statements of comprehensive income are translated at the average exchange rates for the year. The exchange differences arising on this translation are recognised in a separate component of equity. On disposal of a foreign subsidiary, the deferred cumulative amount recognised in other equity relating to that foreign operation is recognised in the statement of comprehensive income under other activities caption.

Starting from 2 February 2002 Lithuanian Litas is pegged to EUR at the rate of 3.4528 Litas for 1 EUR, and the exchange rates of Litas in relation to other currencies are set daily by the Bank of Lithuania.

2. ACCOUNTING PRINCIPLES (CONT'D)

2.3. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting date, using consistent accounting policies.

Subsidiaries are consolidated from the date from which effective control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. All intercompany transactions, balances and unrealised gains and losses on transactions among the Group companies have been eliminated. The equity and net income attributable to non-controlling shareholders' interests are shown separately in the statement of financial position and the statement of comprehensive income.

In the parent's separate financial statements investments into subsidiaries are accounted for using the cost method. The carrying value of investments is reduced to recognise an impairment loss of the value of the investments, such reduction being determined and made for each investment individually.

From 1 January 2010 losses of a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. Prior to 1 January 2010 losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these losses. Losses prior to 1 January 2010 were not reallocated between non-controlling interests and the parent shareholders.

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

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through statement of comprehensive income.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.4. INVESTMENTS INTO ASSOCIATES

An associate is an entity in which the Group has significant influence. The Group recognises its interests in the associates applying the equity method. The financial statements of the associates are prepared for the same reporting year as the Group, using consistent accounting policies. Adjustments are made to bring in line any dissimilar accounting policies that may exist. Impairment assessment of investments into associates is performed when there is an indication that the asset may be impaired or the impairment losses recognised in prior years no longer exist.

Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.
Investments into associates in the Company's separate financial statements are carried at cost less impairment.

2.ACCOUNTING PRINCIPLES (CONT'D)

2.5.INVESTMENTS INTO JOINT VENTURES

The Group had some interests in jointly controlled entities (hereinafter joint ventures). A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest. The Group recognises its interests in the joint ventures applying the equity method. The financial statements of the joint ventures are prepared for the same reporting year as the Group, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. Impairment assessment of investments into joint ventures is performed when there is an indication that the asset may be impaired or the impairment losses recognised in prior years no longer exist.

When the Group contributes or sells assets to the joint venture, any portion of gain or loss from the transaction is recognised based on the substance of the transaction. When the Group purchases assets from the joint venture, the Group does not recognise its share of the profits of the joint venture from the transaction until it resells the asset to an independent party.

Investments into joint ventures in the Company's separate financial statements are carried at cost less impairment.

2.6.INTANGIBLE ASSETS OTHER THAN GOODWILL

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Group and the Company and the cost of asset can be measured reliably.

The useful lives of intangible assets can be either definite or indefinite.

After initial recognition intangible assets with finite lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over the best estimate of their useful lives. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised. Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The useful lives, residual values and amortisation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from items in intangible assets other than goodwill.

Intangible assets with indefinite lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from the indefinite to finite is made on a prospective basis.

Licenses

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

Software

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

Costs incurred in order to restore or maintain the future economic benefits that the Group expects from the originally assessed standard of performance of existing software systems are recognised as an expense when the restoration or maintenance work is carried out.

2. ACCOUNTING PRINCIPLES (CONT'D)

2.7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The initial cost of property, plant and equipment comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment is ready for its intended use, such as repair and maintenance costs, are normally charged to the statement of comprehensive income in the period the costs are incurred.

Depreciation is computed on a straight-line basis over the following useful lives:

Buildings and structures	15–40 years
Machinery and equipment	4–15 years
Vehicles	4–10 years
Other property, plant and equipment	3–20 years

The useful lives, residual values and depreciation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from items in property, plant and equipment.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

Construction in progress is stated at cost. This includes the cost of construction, plant and equipment and other directly attributable costs. Construction in progress is not depreciated until the relevant assets are completed and put into operation.

2.8. INVESTMENT PROPERTY

Investment property is stated at cost less accumulated depreciation and is adjusted for recognised impairment loss.

The initial cost of investment property comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the investment property is ready for its intended use, such as repair and maintenance costs, are normally charged to the statement of comprehensive income in the period the costs are incurred.

Depreciation is calculated on the straight-line method to write-off the cost of each asset to their residual values over their estimated useful life of 20 - 40 years.

An item of investment property is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

Transfers to and from investment property are made when and only when there is an evidence of change in an asset's use.

2.ACCOUNTING PRINCIPLES (CONT'D)

2.9.FINANCIAL ASSETS (EXCEPT FOR DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS HEDGING INSTRUMENTS)

According to IAS 39 *Financial Instruments: Recognition and Measurement* the Group's financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, or available-for-sale financial assets, as appropriate. All purchases and sales of financial assets are recognised on the trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Financial assets at fair value through profit or loss

The category of financial assets at fair value through profit or loss includes financial assets classified as held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Gains or losses on investments held for trading are recognised in the statement of comprehensive income.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity are subsequently measured at amortised cost. Gains and losses are recognised in the statement of comprehensive income when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recorded at the fair value of the consideration given. Loans and receivables are subsequently carried at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with unrealised gains or losses (except for impairment and gain or losses from foreign currencies exchange) being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is included in the statement of comprehensive income. Where the fair value of the available for sale financial assets cannot be measured reliably, these assets are accounted for at cost.

2.10.DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

2.ACCOUNTING PRINCIPLES (CONT'D)

2.11.BIOLOGICAL ASSETS

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

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

Poultry is accounted for at fair value less costs to sell. The fair value of poultry is measured based on future value of chickens/meat broilers/eggs less costs to maintain.

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

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

2.12.INVENTORIES

Inventories are valued at the lower of cost and net realisable value, after impairment evaluation for obsolete and slow moving items. Net realisable value is the selling price in the ordinary course of business, less the costs of completion and distribution. Cost of raw materials that are not ordinarily interchangeable and are segregated for specific projects is determined using specific identification method; cost of other inventory is determined by the first-in, first-out (FIFO) method. The cost of finished goods and work in progress includes the applicable allocation of fixed and variable overhead costs based on a normal operating capacity. Unrealisable inventory has been fully written-off.

Under inventories caption the Group also accounts for commitments to purchase agricultural produce (unrecognized firm commitment) (Note 2.16.).

2.13.CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash in bank accounts. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

For the purposes of the cash flows statement, cash and cash equivalents comprise cash on hand and in current bank accounts as well as deposits in bank with original term of three months or less.

2.14.NON-CURRENT ASSETS HELD FOR SALE

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

2.15.FINANCIAL LIABILITIES

Interest bearing loans and borrowings

Borrowings are initially recognised at fair value of proceeds received less the costs of transaction. They are subsequently carried at amortised cost, the difference between net proceeds and redemption value being recognised in the statement of comprehensive income over the period of the borrowings, except for the capitalized part which is presented below.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. Other borrowing costs are expensed as incurred. The Group capitalises borrowing costs for all eligible assets where construction was commenced on or after 1 July 2009. Borrowings are classified as non-current if the completion of a refinancing agreement before the reporting date provides evidence that the substance of the liability at the reporting date was non-current.

2.ACCOUNTING PRINCIPLES (CONT'D)

2.15.FINANCIAL LIABILITIES (CONT'D)

Factoring

A factoring transaction is a funding transaction where the Group transfers to the factor claim rights from a debtor for a determined reward. The Group alienates the rights to receivables due at a future date according to invoices. The Group's factoring transactions comprise factoring transactions with recourse (the factor is entitled to selling the overdue claim back to the Group). The factoring expenses comprise the lump-sum contract fee charged on the conclusion of the contract, commission fees charged for processing the invoices, and interest expenses depending on the duration of the payment term set by the debtor. Factored accounts receivable with recourse are recorded under current borrowings and trade receivables captions in the financial statements. The Group derecognises the borrowings and the trade receivables at the moment when the debtor settles the liability with the factor.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issue of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

Trade liabilities

Trade liabilities are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. Such liabilities are carried at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the trade liabilities are derecognised, as well as through the amortisation process.

2.16.DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Group engages in derivative financial instruments transactions, such as futures contracts, to hedge purchase and sale price fluctuation risk. On the agreement date and subsequently derivative financial instruments are accounted for at fair value. Fair value is derived from quoted market prices (level 1). The estimated fair values of these contracts are reported in the statement of financial position as assets for contracts having a positive fair value and liabilities for contracts with a negative fair value. Gain or losses from changes in the fair value of derivative financial instruments are recognised in the statement of comprehensive income.
Other derivatives not used for hedge accounting are also accounted for at fair value (level 2) with gain or losses from changes in the fair value recognised in the statement of comprehensive income.

For the purposes of hedge accounting, hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; and (b) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to fair value hedges, which meet the conditions for hedge accounting, any gain or losses from re-measuring the hedging instrument to fair value is recognised immediately in the statement of comprehensive income. The hedged item is adjusted for fair value changes relating to the risk being hedged and the difference is recognised as an asset or liability with a corresponding gain or loss recognised in the statement of comprehensive income.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the statement of comprehensive income.

Any gains or losses arising from changes in the fair value of the hedging instruments, which do not qualify for hedge accounting, are taken directly to the statement of comprehensive income for the period.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

2. ACCOUNTING PRINCIPLES (CONT'D)

2.17. FINANCE AND OPERATING LEASE OBLIGATIONS

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance lease – the Group as a lessee

Leases where the lessor transfers to the Group substantially all the risks and benefits incidental to ownership of the leased item are classified as finance leases. The Group recognises finance leases as assets and liabilities in the statement of financial position at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, to the present value of the minimum lease payments. The rate of discount used when calculating the present value of minimum payments of finance lease is the interest rate implicit in the lease, when it is possible to determine it, in other cases, the Group's incremental interest rate on borrowings applies. Directly attributable initial costs are included into the asset value. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

The depreciation is accounted for finance lease assets. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned. The leased assets are not depreciated over the period longer than the lease term, unless the Group, according to the lease contract, gets transferred their ownership after the lease term is over.

Operating lease – the Group as a lessee

Leases where the lessor does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Operating lease – the Group as a lessor

Assets leased out under operating leases are included in property, plant and equipment and investment property in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar property, plant and equipment of the Group. Rental income is recognised on a straight-line basis over the lease term.

2.18. SHARE CAPITAL

Ordinary shares are stated at their par value. Any excess of the consideration received for the shares sold over their par value is shown as share premium. Incremental external costs directly attributable to the issue of new shares are accounted for as a deduction from share premium.

2.19. PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Group re-evaluates provisions at each reporting date and adjusts them in order to present the most reasonable current estimate. If the effect of the time value of money is material, the amount of provision is equal to the present value of the expenses, which are expected to be incurred to settle the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Onerous contracts provision

Onerous contracts provision is recognised when the Group has a present obligation (legal or constructive) to purchase the goods from a third party in the future for a price higher than the market selling price at the reporting date or to sell the goods to a third party in the future for a price lower than the market purchase price at the reporting date. The difference between the value of the contract and its market price at the reporting date is charged to cost of sales in the statement of comprehensive income. Such accounting treatment of the Group's contracts is applied as long as these contracts have not been accounted for as derivatives (Note 2.28).

2. ACCOUNTING PRINCIPLES (CONT'D)

2.20. NON-CURRENT EMPLOYEE BENEFITS

According to the requirements of Lithuanian Labor Code, each employee leaving the Group at the age of retirement is entitled to a one-off payment in the amount of 2 months' salary. In addition employees of the Group are entitled to employment benefits which are approved by the Board of the Company.

Starting from 1 January 2013 after the amendments to IAS 19 become effective, the actuarial gains and losses are recognized in the statement of other comprehensive income.

The past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested. Any gains or losses appearing as a result of curtailment and/or settlement are recognised in the statement of comprehensive income as incurred. Starting from 1 January 2013 after the amendments to IAS 19 become effective, the past service costs are recognized in the statement of comprehensive income as incurred.

The above mentioned employee benefit obligation is calculated based on actuarial assumptions, using the projected unit credit method. Obligation is recognized in the statement of financial position and reflects the present value of these benefits on the preparation date of the statement of financial position. Present value of the non-current obligation to employees is determined by discounting estimated future cash flows using the discount rate which reflects the interest rate of the Government bonds of the same currency and similar maturity as the employment benefits. Actuarial gains and losses are recognized in the statement of other comprehensive income as incurred.

2.21. GRANTS AND SUBSIDIES

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

Grants received in the form of cash intended for the purchase, construction or other acquisition of non-current assets are considered as asset-related grants. The amount of the asset related grants is recognised as deferred income in the financial statements as used in parts according to the depreciation of the assets associated with this grant. In the statement of comprehensive income, a relevant expense account is reduced by the amount of grant amortisation.

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

2.22. INCOME TAX

The Group companies are taxed individually, irrespective of the overall results of the Group. Income tax charge is based on profit for the year and considers deferred taxation. The charge for taxation included in these financial statements is based on the calculation made by the management in accordance with tax legislation of the Republic of Lithuania and respective countries, where the Group companies are registered.

In the year ended 30 June 2014 and 30 June 2013 the standard income tax rate for the Group companies operating in Lithuania was – 15%.

Certain tax provisions are applicable to the agricultural entities: if the share of agricultural products supplied and services provided to the entities engaged in agricultural activities exceeded 50% of the total sales of the legal entities producing agricultural products and specialised service companies, these entities are subject to reduced income tax of 5%.

The entities of the Group which are subject to reduced income tax are Šakiai district Lukšių ŽŪB, Sidabravo ŽŪB, Biržai district Medeikių ŽŪB, Panevėžys district Aukštadvario ŽŪB, Užupės ŽŪB, Kėdainiai district Labūnavos ŽŪB, Panevėžys district Žibartonys ŽŪB.

2. ACCOUNTING PRINCIPLES (CONT'D)

2.22. INCOME TAX (CONT'D)

For companies operating in Lithuania tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments not designated for hedging. Starting from 1 January 2014 the transferable tax loss can not cover more than 70% of the taxable profit of the current year. Such carrying forward is disrupted if the company changes its activities due to which these losses were incurred except when the company does not continue its activities due to reasons which do not depend on the company itself. The losses from disposal of securities and/or derivative financial instruments not designated for hedge (as described in note 2.16) can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature. For companies operating in Latvia and Denmark tax losses can be carried forward for indefinite period.

Income tax for the foreign subsidiaries is accounted for according to tax legislation of those foreign countries. The standard income tax rates in the foreign countries are as follows:

	Financial year ended	
	30 June 2014	**30 June 2013**
Republic of Latvia	15%	15%
Republic of Estonia*	–	–
Kingdom of Denmark	24.5%	24.5%

**In Estonia, the taxation of profit of operating subsidiaries is deferred until the profit appropriation moment, i.e. payment of dividends. Furthermore, the dividends paid by the Group's companies in Estonia are taxed at the withholding tax rate of 21 %.*

Deferred taxes are calculated using the balance sheet liability method. Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the reporting date.

Deferred tax assets have been recognised in the statement of financial position to the extent the management believes they will be realised in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax is not going to be realised, this part of the deferred tax asset is not recognised in the financial statements.

2.23. REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognised net of VAT and discounts.

Revenue from sales of goods is recognised when delivery has taken place and transfer of risks and rewards has been completed.

The Group sells seeds, fertilizers and other related inputs to agricultural produce growers on the deferred payment terms until the harvest is taken and then receivable is paid or offset with harvested grain by the agricultural produce growers. The Group recognises the sale of inputs at the moment of transfer to agricultural produce growers as the risk and rewards are transferred at that moment while revenue is measured at the fair value of the consideration received or receivable.

Revenue from services is recognised when services are rendered.

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

Interest income is recognised on an accrual basis (by using effective interest rate). Dividend income is recognised when dividends attributable to the Group are declared.

2. ACCOUNTING PRINCIPLES (CONT'D)

2.23. REVENUE RECOGNITION (CONT'D)

Revenue recognition gross versus net

If the Group is acting as the principal in the relationship between the supplier and the customer, the revenue is recognised on a gross basis, with the amount remitted to the supplier being accounted for as a cost of sale. However, if the Group is acting as an agent for the supplier in its relationship with the customer, only the net amount of commission retained is recognised as revenue.

Whether the Group is acting as principal or agent in the transaction with the customer is a matter of judgment that depends on the relevant facts and circumstances. However, the Group considers the following indicators of gross revenue recognition (i.e., indicators that the Group is acting as principal in the transaction with the customer):

- The Group is the primary obligor under the terms of the contracts;
- The Group bears any general and physical inventory risks;
- The Group is able to determine the sales price;
- The Group is able to change the product;
- The Group has discretion in supplier selection;
- The Group is involved in the determination of product or service specifications;
- The Group bears any credit risks.

2.24. EXPENSE RECOGNITION

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

The amount of expenses is usually accounted for as the amount paid or due to be paid, excluding VAT. In those cases when long period of payment is established and the interest is not distinguished, the amount of expenses is estimated by discounting the amount of payment using the market interest rate.

2.25. IMPAIRMENT OF ASSETS

Financial assets

Financial assets are reviewed for impairment at each reporting date.

For financial assets carried at amortised cost, whenever it is probable that the Group will not collect all amounts due according to the contractual terms of loans or receivables, an impairment or bad debt loss is recognised in the statement of comprehensive income. The reversal of impairment losses previously recognised is recorded when the decrease in impairment loss can be justified by an event occurring after the write-down. Such reversal is recorded in the statement of comprehensive income. However, the increased carrying amount is only recognised to the extent it does not exceed the amortised cost that would have been had the impairment not been recognised.

In relation to trade and other receivables, an allowance for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Other assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required (e.g. goodwill), the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by independent valuations, valuation multiples, or other available fair value indicators.

2.ACCOUNTING PRINCIPLES (CONT'D)

2.25.IMPAIRMENT OF ASSETS (CONT'D)

Other assets (cont'd)

Impairment losses are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income.

2.26.SEGMENT INFORMATION

In these financial statements an operating segment means a constituent part of the Group participating in production of an individual product or provision of a service or a group of related products or services, whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

In these financial statements information about geographical areas means a constituent part of the Group revenue from external customers attributed to the Group's country of domicile and attributed to all foreign countries in total from which the Group derives revenue and non-current assets other than financial assets and deferred tax assets located in the Group's country of domicile and located in all foreign countries in total in which the Group holds assets.

2.27.FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group and the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

2.ACCOUNTING PRINCIPLES (CONT'D)

2.27.FAIR VALUE MEASUREMENT (CONT'D)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Valuations are performed by the Group's and the Company's management at each reporting date. For the purpose of fair value disclosures, the Group and the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of asset or liability and the level of the fair value hierarchy as explained above.

2.28.USE OF SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies.

Significant accounting judgments

The significant areas at judgment used in the preparation of these financial statements are described as follows.

Accounting for trading contracts

Within grains and oilseeds as well as feedstuffs segments, the Group's activity is an agricultural goods intermediary (buying and selling different types of grain, oilseeds, rapeseed, etc.). The Group buys and sells agricultural goods at a fixed price for a specified delivery period in the future. The terms of the Group's contracts permit net settlement; however, in practice, contracts result in physical delivery. The Group acts as an intermediary by entering into purchase and sales contracts with producers and users of the agricultural goods, creating links within the value chain for the agricultural goods for a stable customer base, making profits from a distributor margin rather than from fluctuations in price or a broker traders' margin. As a result, the Group's purchases and sales contracts are entered into in accordance with the expected purchase and sale requirements and, therefore, have not been accounted for as derivatives within the scope of IAS 39, except for those contracts which are hedged (Note 2.16).

Receivables from agricultural produce growers and payments on agricultural produce growers' behalf

Within its agricultural inputs segment, the Group is engaged in selling fertilizers and plant protection products to agricultural produce growers as well as pays on behalf of agricultural produce growers to suppliers of seeds or directly pays to agricultural produce growers (Notes 12 and 13). The balances arising from these transactions are non-interest bearing and are generally settled within 120 - 360 days by delivering grain to the Group. These transactions constitute common arrangements in the industry, they are entered into between distributors and agricultural produce growers under similar terms, and usual settlement is by delivery of grain, as opposed to an unconditional right to receive cash; therefore, no discounting is performed on these balances. Trade receivables arising on sales of fertilizers and plant protection products are presented within trade receivables caption in the statement of financial position, while payments on behalf of agricultural produce growers, which do not derive from sales transactions, are presented as prepayments in the statement of financial position.

Significant accounting estimates

The significant areas at estimation used in the preparation of the accompanying financial statements relate to depreciation (Notes 2.7, 2.8, 6 and 7), fair value estimation of biological assets (Note 10), impairment evaluation (Notes 2.25, 2.28, 6, 7, 8, 9, 11, 12, 13 and 14) and estimation of fair value of assets acquired and liabilities assumed in a business combinations (Note 3). Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

2. ACCOUNTING PRINCIPLES (CONT'D)

2.28. USE OF SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS (CONT'D)

Valuation of biological assets

As at 30 June 2014 and 30 June 2013 the Group did not have an independent appraisal of its biological assets. According to IFRS, such assets must be recorded at fair value. Biological assets consist of three groups: animals and livestock, poultry and crops which are accounted for at fair value less costs to sell (Note 2.11).

The fair value of biological assets of the Group is determined on a recurring basis. The management determines key assumption based on historical figures and the best estimate as at the reporting date. Applied unobservable assumptions are challenged on a regular basis and adjusted after back testing is performed. Other observable inputs used are based on publicly available sources (prices in the market). The management of the Group constantly analyses the changes in fair value and assesses what has the biggest influence on it – quantity produced, sales prices and etc.

Animals and livestock are valued in two ways: milking cows are valued using discounted cash flows method less costs to sell (level 3) and other groups of livestock at market prices less cost to sell at the reporting date (level 2). Crops are valued at market prices less costs to sell at the reporting date (level 3).

Poultry are valued in the following way:

Hatching chicken are valued based on the future value of the produced eggs less costs to maintain the chicken until end of its production period, slaughter costs as well as costs to sell at the reporting date (level 3).

Meat broilers are evaluated taking into account the average age of the chicken and its respective market value between the value range of day one and value at the moment of slaughtering the chicken (level 3).

<u>Milking cows</u>

The management of the Group decided to assess fair value of milking cows based on the discounted cash flows method because there is no active reliable market for such livestock and because this method is the most accurate estimation of the fair value of milking cows.

As at 30 June 2014 the key assumptions used to determine fair value of milking cows are the estimated gross margin for the expected average productive life of a milking cow (13% for the year ending 30 June 2015 and 16% for the year ending 30 June 2016) used to calculate the expected future cash inflows as well as pre-tax discount rate (8%). As at 30 June 2013 the key assumptions used to determine fair value of milking cows are the estimated gross margin (21% for the year ending 30 June 2014 and 23% for the year ending 30 June 2015) used to calculate the expected future cash inflows as well as pre-tax discount rate (11%).

The following table demonstrates the sensitivity of the fair value of milking cows to a reasonably possible change in key assumptions and its effect on profit or loss. There is no effect to other comprehensive income.

	30 June 2014		**30 June 2013**	
	Possible change	**Effect on fair value**	**Possible change**	**Effect on fair value**
Gross margin	+ 3%	1,490	+ 3%	1,156
Gross margin	- 3%	(1,380)	- 3%	(1,070)
Discount rate	+ 1%	(162)	+ 1%	(177)
Discount rate	- 1%	165	- 1%	180

2. ACCOUNTING PRINCIPLES (CONT'D)

2.28. USE OF SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS (CONT'D)

Valuation of biological assets (cont'd)

Crops

As at 30 June 2014 the key assumptions used to determine fair value of crops are the estimated yield ranges depending on the type of crops (2.7 – 9.3 tones/ha for the year ending 30 June 2014 and 3.0 – 5.5 tones/ha for the year ending 30 June 2013) and the expected sales price, which was based on the estimated future grain and oilseeds sales price of the deliveries taking place September – December of the respective year.

The following table demonstrates the sensitivity of the fair value of crops to a reasonably possible change in key assumptions and its effect on profit or loss. There is no effect to other comprehensive income.

	30 June 2014		30 June 2013	
	Possible change	**Effect on fair value**	**Possible change**	**Effect on fair value**
Yield	+ 5%	2,040	+ 5%	1,674
Yield	- 5%	(2,040)	- 5%	(1,674)

Poultry

As at 30 June 2014 the main assumptions used to determine fair value of hatching chicken are the price of the incubation eggs (LTL 0.5-1 for the unit) which was estimated based on publicly available yearly average market price and the average number of hatching eggs produced per hatching chicken in her lifetime (146 units).

The following table demonstrates the sensitivity of the fair value of hatching chickens to a reasonably possible change in key assumptions and its effect on profit or loss. There is no effect to other comprehensive income.

	30 June 2014		As at acquisition date*	
	Possible change	**Effect on fair value**	**Possible change**	**Effect on fair value**
Number of eggs per lifecycle	+ 5%	590	+ 5%	604
Number of eggs per lifecycle	- 5%	(590)	- 5%	(604)

As at 30 June 2014 the main assumptions used to determine fair value of broilers are the market price of chickens (LTL 1-2 for 1 day old and LTL 6-8 for 36 days old) which was estimated based on actual purchases/sales taking place close to the 30 June 2014 and broiler weight of 2.15 kg as at 36 days old.

The following table demonstrates the sensitivity of the fair value of broilers to a reasonably possible change in key assumptions and its effect on profit or loss. There is no effect to other comprehensive income.

	30 June 2014		As at acquisition date*	
	Possible change	**Effect on fair value**	**Possible change**	**Effect on fair value**
Age	+ 5%	158	+ 5%	166
Age	- 5%	(245)	- 5%	(235)

*The Group has entered into the poultry business during the year ended 30 June 2014, therefore as a comparative information sensitivity as at acquisition date is provided.

Impairment of property, plant and equipment (excluding land)

The Group makes an assessment, at least annually, whether there are any indications that property, plant and equipment have suffered impairment. If that is the case, the Group makes an impairment test. The recoverable amount of cash-generating units is determined based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the forecast for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit being tested.

As at 30 June 2014 and 30 June 2013 there were no reasonably possible changes in the key assumptions which would cause the carrying amount of property, plant and equipment to exceed its recoverable amount, except for the already impaired assets.

2. ACCOUNTING PRINCIPLES (CONT'D)

2.28. USE OF SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS (CONT'D)

Impairment of land (accounted for as property, plant and equipment and investment property)

The Group makes an assessment, at least annually, whether there are any indications that land accounted for as property, plant and equipment and investment property has suffered impairment. If that is the case, the Group makes an impairment test. The recoverable amount of land is determined as fair value less cost to sell based on comparable market prices for similar land provided by independent valuators.

As at 30 June 2014 and 30 June 2013 there were no reasonably possible changes in the key assumptions which would cause the carrying amount of land to exceed its recoverable amount, except for the already impaired assets.

Impairment of the Company's investments

As at 30 June 2014 and 30 June 2013 the Company has investments in subsidiaries and associates. As at 30 June 2014 and 30 June 2013 the Company made an assessment whether the value of the investments should be impaired. The recoverable amount of investment in AB Linas Agro was determined based on the value in use calculations that use a discounted cash flow model. The cash flows are derived from the forecast for the next five years and do not include restructuring activities that AB Linas Agro is not yet committed to or significant future investments that will enhance the asset base of the investee being tested.

As at 30 June 2014 and 30 June 2013 the recoverable amount of the investment into AB Linas Agro is most sensitive to the post-tax discount rate (10.5% and 10.5% respectively) used for the discounted cash flow model as well as the expected future cash inflows and the growth rate (2%) used for extrapolation purposes.

The recoverable amount of investment into subsidiaries AS Putnu fabrika Kekava, SIA Lielzeltini, SIA Cerova and SIA Broileks was determined based on the value in use calculations that use a discounted cash flow model. The above mentioned subsidiaries were assessed as one cash generating unit. The cash flows are derived from the forecast for the next five years and a terminal value which was calculated with a terminal growth of 2%. As at 30 June 2014 the recoverable amount of the investment into subsidiaries AS Putnu fabrika Kekava, SIA Lielzeltini, SIA Cerova and SIA Broileks is most sensitive to the post-tax discount rate of 12% which is used for the discounted cash flow model.

As at 30 June 2014 and 30 June 2013 there were no reasonably possible changes in the key assumptions which would cause the carrying amount of the investment into AB Linas Agro, AS Putnu fabrika Kekava, SIA Lielzeltini, SIA Cerova and SIA Broileks to exceed its recoverable amount.

Where necessary, the Company also performed an impairment test for other investments in subsidiaries, associates and joint ventures using possible selling prices method. According to the test performed, where required, as at 30 June 2014 and 30 June 2013 the Company accounted for impairment so as the carrying amount of the investments would not exceed their respective recoverable amounts (Note 3).

2.29. CONTINGENCIES

Contingent liabilities are not recognised in the financial statements, except for contingent liabilities associated with business combinations. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

2.30. SUBSEQUENT EVENTS

Subsequent events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes when material.

2.31. OFFSETTING

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not set off, except for the cases when certain IFRS specifically requires or allows such set-off.

Numbers in tables may vary as they are written in round figures up to one thousand litas. Such rounding variations are trivial for our financial reports.

3. GROUP STRUCTURE AND CHANGES IN THE GROUP

As at 30 June 2014 and as at 30 June 2013 the Company held these directly and indirectly controlled subsidiaries (hereinafter the Group):

	Place of registration	Effective share of the stock held by the Group		Cost of investment in the Company		Main activities
		30 June 2014	30 June 2013	30 June 2014	30 June 2013	
Investments into directly controlled subsidiaries						
AB Linas Agro	Lithuania	100%	100%	195,277	195,277	Wholesale trade of grains and oilseeds, feedstuffs and agricultural inputs
UAB Linas Agro Konsultacijos	Lithuania	100%	100%	38,423	10,168	Management of the subsidiaries engaged in agriculture
UAB Dotnuvos Projektai	Lithuania	100%	100%	36,902	36,902	Trade of machinery and equipment for warehousing of grains, certified seeds
UAB Jungtinė Ekspedicija	Lithuania	100%	100%	1,177	1,177	Expedition and ship's agency services
ŽŪB Landvesta 1	Lithuania	100%	100%	2,430	900	Rent and management of agricultural purposes land
ŽŪB Landvesta 2	Lithuania	100%	100%	1,492	1,444	Rent and management of agricultural purposes land
Noreikiškių ŽŪB	Lithuania	100%	100%	1,242	1,009	Rent and management of agricultural purposes land
UAB Lineliai	Lithuania	100%	100%	1,609	59	Rent and management of agricultural purposes land
AS Putnu fabrika Kekava	Latvia	84.36%	–	7,350	–	Broiler breeding, slaughtering and sale of products
SIA PFK Trader	Latvia	84.36%	–	–	–	Retail trade of food production
SIA Lielzeltini	Latvia	100%	–	20,213	–	Broiler breeding, slaughtering and sale of products, feedstuffs
SIA Cerova	Latvia	100%	–	2,728	–	Egg incubation and chicken sale
SIA Broileks	Latvia	100%	–	162	–	Chicken breeding and sale
				309,005	249,262*	
Less: impairment				–	(195)	
				309,005	249,067	

*Including cost of ŽŪB Landvesta 3, ŽŪB Landvesta 4, ŽŪB Landvesta 5, ŽŪB Landvesta 6 which are disclosed as indirectly controlled subsidiaries (through AB Linas Agro).

3. GROUP STRUCTURE AND CHANGES IN THE GROUP (CONT'D)

	Place of registration	Effective share of the stock held by the Group		Cost of investment in the Company		Main activities
		30 June 2014	30 June 2013	30 June 2014	30 June 2013	
Investments into indirectly controlled subsidiaries (through AB Linas Agro)						
SIA Linas Agro	Latvia	100%	100%	–	–	Wholesale trade of grains and oilseeds, agricultural inputs
UAB Gerera	Lithuania	100%	100%	–	–	Not operating company
UAB Linas Agro Grūdų Centras	Lithuania	100%	100%	–	–	Management services
UAB Linas Agro Grūdų Centras KŪB	Lithuania	100%	100%	3,907	3,907	Preparation and warehousing of grains for trade
Linas Agro A/S	Denmark	100%	100%	–	–	Wholesale trade of grains and oilseeds, feedstuffs
UAB Lignineko	Lithuania	–	100%	–	–	Manufacturing of lignin
UAB Fossio	Lithuania	100%	–	–	–	Manufacturing of lignin
ŽŪB Landvesta 3*	Lithuania	100%	100%	688	688	Rent and management of agricultural purposes land
ŽŪB Landvesta 4*	Lithuania	100%	100%	378	378	Rent and management of agricultural purposes land
ŽŪB Landvesta 5*	Lithuania	100%	100%	976	975	Rent and management of agricultural purposes land
ŽŪB Landvesta 6*	Lithuania	100%	100%	285	285	Rent and management of agricultural purposes land
Investments into indirectly controlled subsidiaries (through UAB Linas Agro Konsultacijos)						
ŽŪK KUPIŠKIO GRŪDAI	Lithuania	98.28%	97.72%	–	–	Preparation and warehousing of grains for trade
Biržai district Medeikių ŽŪB	Lithuania	98.39%	98.39%	–	–	Growing and sale of crops
Šakiai district Lukšių ŽŪB	Lithuania	98.82%	98.82%	–	–	Mixed agricultural activities
Panevėžys district Aukštadvario ŽŪB	Lithuania	96.92%	96.92%	–	–	Mixed agricultural activities
Sidabravo ŽŪB	Lithuania	93.40%	87.23%	–	–	Mixed agricultural activities
Kėdainiai district Labūnavos ŽŪB	Lithuania	98.64%	98.64%	–	–	Mixed agricultural activities
Užupės ŽŪB	Lithuania	100%	100%	–	–	Growing and sale of crops
UAB Paberžėlė	Lithuania	100%	100%	–	–	Rent and management of agricultural purposes land
UAB Žemės ūkio investicijos	Lithuania	100%	–	–	–	Not operating company
Panevėžys district Žibartonių ŽŪB	Lithuania	99.80%	–	–	–	Mixed agricultural activities

* Accounted as for directly controlled subsidiaries as at 30 June 2013.

3. GROUP STRUCTURE AND CHANGES IN THE GROUP (CONT'D)

	Place of registration	Effective share of the stock held by the Group		Cost of investment in the Company		Main activities
		30 June 2014	30 June 2013	30 June 2014	30 June 2013	
Investments into indirectly controlled subsidiaries (through UAB Dotnuvos Projektai)						
SIA DOTNUVOS PROJEKTAI	Latvia	100%	100%	–	–	Trade of machinery and equipment for warehousing of grains, certified seeds
AS Dotnuvos Projektai	Estonia	100%	100%	–	–	Trade of machinery and equipment for warehousing of grains, certified seeds
UAB Dotnuvos technika	Lithuania	100%	100%	–	–	Not operating company
Investments into indirectly controlled subsidiaries (through UAB Linas Agro Grūdų centras KŪB)						
Karčemos kooperatinė bendrovė	Lithuania	20%*	20%*	–	–	Preparation and warehousing of grains for trade
SIA Linas Agro Graudu centrs	Latvia	100%	100%	–	–	Preparation and warehousing of grains for trade
Investment into indirectly controlled subsidiaries (through Panevėžys district Žibartonių ŽŪB)						
Karčemos kooperatinė bendrovė	Lithuania	19.96%*	–	–	–	Preparation and warehousing of grains for trade

** The Group indirectly controls 39.96% of shares of Karčemos kooperatinė bendrovė (through Panevėžys district Žibartonių ŽŪB and UAB Linas Agro Grūdų centras KŪB), however, the Group has control over this entity and, therefore, it has been consolidated when preparing these financial statements.*

3. GROUP STRUCTURE AND CHANGES IN THE GROUP (CONT'D)

Changes in the Group during the 12 month period ended 30 June 2014

On 5 September 2013 the Group acquired 100 % Žemės ūkio investicijos UAB sub-group, which is comprised of the holding company Žemės ūkio investicijos UAB and its subsidiary Panevėžys district Žibartonys ŽŪB (98.07%), for LTL 18,059 thousand to further expand business activities. As at acquisition date Žemės ūkio investicijos UAB sub-group did not have any impaired accounts receivable or contractual cash flows not expected to be collected, book value of receivables represents its fair value. Differences between the purchase consideration and fair values of the acquired assets, liabilities and contingent liabilities at the acquisition date were the following

Acquisition date	**31 August 2013**
Property, plant and equipment and investment property	18,493
Animals and livestock	7,024
Crops	2,594
Inventories	9,420
Prepayments and other current assets	2,271
Cash and cash equivalents	268
Total assets	**40,070**
Deferred tax liability	(604)
Grants and subsidies	(556)
Non-current borrowings	(2,919)
Current borrowings	(1,814)
Trade payables	(4,274)
Other liabilities	(1,412)
Total liabilities	**(11,579)**
Total identifiable net assets at fair value	**28,491**
Non-controlling interest measured at the proportionate share of net assets at fair value	(349)
Gain recognized on acquisition of subsidiary, recognised under Other income (Note 26)	9,540
Total purchase consideration	**18,602**
Cash consideration transferred	13,389
Less: cash acquired	(268)
Total purchase consideration, net of cash acquired	**13,121**

Žemės ūkio investicijos UAB sub-group revenue and profit or loss since the acquisition date and from the beginning of the annual reporting period were:

	Since acquisition date	**Since 1 July 2013**
Revenue	17,515	22,414
Profit (loss)	1,683	1,555

The bargain purchase resulted due to the former shareholders' approach to the business from the book value point of view rather than fair value of total identifiable net assets.

3.GROUP STRUCTURE AND CHANGES IN THE GROUP (CONT'D)

Changes in the Group during the 12 month period ended 30 June 2014 (cont'd)

On 28 October 2013 the Group acquired 86.97% shares of AS Putnu Fabrika Kekava sub-group (including SIA PFK Trader) for LTL 7,350 thousand to further expand business activities and enter new business segments. On 7 November 2013 according to the restructuring plan share capital of AS Putnu Fabrika Kekava was increased by capitalization of payable amounts.
AB Linas Agro Group didn't participate in the increasing of share capital, part of the shares owned by AB Linas Agro Group decreased from 86.97% to 54.59%. The provisional net assets at book value on 31 October 2013 are calculated by taking into account accounts payable capitalization and AB Linas Agro Group de facto control of 54.59% of shares.
Differences between the purchase consideration and provisional fair values of the acquired assets, liabilities and contingent liabilities at the acquisition date were the following:

Acquisition date for consolidation purposes	**31 October 2013**
Property, plant and equipment and intangible assets	83,169
Poultry	8,373
Inventories	7,735
Prepayments and other current assets	10,300
Cash and cash equivalents	598
Total assets	**110,175**
Deferred tax liability	(2,292)
Grants and subsidies	(7,701)
Non-current borrowings	(7,116)
Other non-current liabilities	(4,723)
Current borrowings	(35,913)
Trade payables	(16,641)
Other liabilities	(15,944)*
Total liabilities	**(90,330)**
Total identifiable net assets at provisional fair value	**19,845**
Non-controlling interest measured at the proportionate share of net assets at provisional fair value	(9,012)
Gain recognized on acquisition of subsidiary, recognised under Other income (Note 26)	3,483
Total purchase consideration	**7,350**
Cash consideration transferred	**2,516****
Less: cash acquired	(598)
Total purchase consideration, net of cash acquired	**1,918**

*During the year ended 30 June 2014 liabilities in the amount of LTL 14,142 were written off for subsidiary AS Putnu Fabrika Kekava due to successfully implemented restructuring plan.
**As at 30 June 2013 the Company made LTL 4,834 thousand prepayment for AS Putnu Fabrika Kekava shares to acquire.

AS Putnu Fabrika Kekava fair value of the trade receivables as at the date of acquisition were:

	Trade receivables
The gross contractual amounts receivable	21,393
The best estimate at the acquisition date of the contractual cash flows not expected to be collected	(11,401)
The fair value of the receivables	9,992

AS Putnu Fabrika Kekava revenue and profit or loss since the acquisition date and from the beginning of the annual reporting period were:

	Since acquisition date	**Since 1 July 2013**
Revenue	91,793	136,578
Profit (loss)	23,299	29,755

3.GROUP STRUCTURE AND CHANGES IN THE GROUP (CONT'D)

Changes in the Group during the 12 month period ended 30 June 2014 (cont'd)

The business combination resulted in bargain purchase because it was acquired during a forced sale by the former shareholders, since as at acquisition AS Putnu Fabrika Kekava was in a legal restructuring phase and there existed high uncertainties about its ability to continue as a going concern.

On 7 February 2014 the Group acquired 100% shares of SIA Lielzeltini for LTL 20,213 thousand to further expand business activities and enter new business segments. Differences between the purchase consideration and fair values of the acquired assets, liabilities and contingent liabilities at the acquisition date were the following:

Acquisition date for consolidation purposes	**31 January 2014**
Property, plant and equipment	50,263
Financial assets	10,764
Poultry	1,833
Inventories	10,902
Prepayments and other current assets	10,674
Cash and cash equivalents	1,214
Total assets	**85,650**
Deferred tax liability	(3,133)
Grants and subsidies	(2,657)
Non-current borrowings	(32,475)
Current borrowings	(7,257)
Trade payables	(9,990)
Other liabilities	(2,356)
Total liabilities	**(57,868)**
Total identifiable net assets at fair value	**27,782**
Gain recognized on acquisition of subsidiary, recognised under Other income (Note 26)	7,569
Total purchase consideration	**20,213**
Cash consideration transferred	**20,213**
Less: cash acquired	(1,214)
Total purchase consideration, net of cash acquired	**18,999**

SIA Lielzeltini fair value of contractual amounts receivables as at the date of acquisition were:

	Non-current Trade receivables	**Prepayments**
The gross contractual amounts receivable	10,927	3,515
The best estimate at the acquisition date of the contractual cash flows not expected to be collected	(2,292)	(691)
The fair value of the receivables	8,635	2,824

SIA Lielzeltini revenue and profit or loss since the acquisition date and from the beginning of the annual reporting period were:

	Since acquisition date	**Since July 1 2013**
Revenue	44,048	100,633
Profit (loss)	1,685	6,315

The bargain purchase resulted due to the former shareholders' approach to the business from the book value point of view rather than fair value of total identifiable net assets.

3.GROUP STRUCTURE AND CHANGES IN THE GROUP (CONT'D)

Changes in the Group during the 12 month period ended 30 June 2014 (cont'd)

On 7 February 2014 the Group acquired 100% shares of SIA Cerova for LTL 2,728 thousand to further expand business activities and enter new business segments. As at acquisition date SIA Cerova did not have any impaired accounts receivable or contractual cash flows not expected to be collected, book value of receivables represent its recoverable amount. Revenue and profit or loss since acquisition date and from the beginning of the annual reporting period are not disclosed as they are not material to the financial statements. Differences between the purchase consideration and fair values of the acquired assets, liabilities and contingent liabilities at the acquisition date were the following:

Acquisition date for consolidation purposes	**31 January 2014**
Property, plant and equipment	2,913
Inventories	415
Prepayments and other current assets	3,478
Cash and cash equivalents	46
Total assets	**6,852**
Deferred tax liability	(33)
Grants and subsidies	(477)
Non-current borrowings	(2,110)
Other non-current liabilities	–
Trade payables	(237)
Other liabilities	(166)
Total liabilities	**(3,023)**
Total identifiable net assets at fair value	**3,829**
Gain recognized on acquisition of subsidiary, recognised under Other income (Note 26)	1,101
Total purchase consideration	**2,728**
Cash consideration transferred	**2,728**
Less: cash acquired	(46)
Total purchase consideration, net of cash acquired	**2,682**

On 7 February 2014 the Group acquired 100% shares of SIA Broileks for LTL 179 thousand to further expand business activities and enter new business segments. As at acquisition date SIA Broileks did not have any impaired accounts receivable or contractual cash flows not expected to be collected, book value of receivables represent its recoverable amount. Revenue and profit or loss since acquisition date and from the beginning of the annual reporting period are not disclosed as they are not material to the financial statements. Differences between the purchase consideration and fair values of the acquired assets, liabilities and contingent liabilities at the acquisition date were the following:

Acquisition date for consolidation purposes	**31 January 2014**
Property, plant and equipment	1,450
Inventories	121
Prepayments and other current assets	520
Cash and cash equivalents	6
Total assets	**2,097**
Grants and subsidies	(420)
Non-current borrowings	(151)
Current borrowings	(365)
Trade payables	(7)
Other liabilities	(545)
Total liabilities	**(1,488)**
Total identifiable net assets at fair value	**609**
Gain recognized on acquisition of subsidiary, recognised under Other income (Note 26)	430
Total purchase consideration	**179**
Cash consideration transferred	**179**
Less: cash acquired	(6)
Total purchase consideration, net of cash acquired	**173**

3.GROUP STRUCTURE AND CHANGES IN THE GROUP (CONT'D)

Changes in the Group during the 12 month period ended 30 June 2014 (cont'd)

During the 12 month period, ended 30 June 2014, the Group acquired 6.17% Sidabravo ŽŪB share capital for LTL 160 thousand, 1.1% Panevėžys district Žibartonių ŽŪB share capital for LTL 44 thousand. All the shares were acquired from the non-controlling shareholders. The difference of LTL 929 thousand of gain between the consideration transferred and the carrying value of the interest acquired has been recognised within equity.

Acquisition of non-controlling interest in Sidabravo ŽŪB and Panevėžys district Žibartonių ŽŪB has resulted in an increase of the effective Group ownership of ŽŪK KUPIŠKIO GRŪDAI by 0.56% up to 98.28%, and an increase of the effective Group ownership of Karčemos kooperatinė bendrovė by 20% up to 39.96% as at 30 June 2014 with a result of LTL 23 thousand of gain accounted directly in equity.

Acquisition of SIA Lielzeltini has resulted in an increase of the effective Group ownership of AS Putnu Fabrika Kekava by 29.77% up to 84.36% as at 30 June 2014 with a result of LTL 10,046 thousand of gain accounted directly in equity.

On 9 January 2014 the Group separated UAB Lignineko to 2 companies: UAB Lignineko and UAB Fossio. The share capital of UAB Fossio is LTL 461 thousand.

On 30 April 2014 the Group sold all shares of UAB Lignineko. Differences between the sales consideration and the net assets disposed at the disposal date is the following:

	30 April 2014
Non-current assets	1,816
Deferred tax asset	180
Current assets	802
Liabilities	(3,835)
Net asset of subsidiary sold by Group	**(1,037)**
Gain recognized on disposal of subsidiary, recognised under Other income (Note 26)	**5,587**
Sales price (received in cash)	4,550
Less: cash disposed in subsidiary	(18)
Sell price less cash disposed	**4,532**

3.GROUP STRUCTURE AND CHANGES IN THE GROUP (CONT'D)

Changes in the Group during the year ended 30 June 2013

On 13 July 2012 the Group acquired 98.55% shares of Kėdainiai district Labūnavos ŽŪB for LTL 22,545 thousand from previous owners to further expand business activities. After the share acquisition the Group directly controls 98.64% of the investee. Fair value of previously held equity interest is immaterial, therefore not taken into consideration. As at acquisition date Labūnavos ŽŪB did not have any impaired accounts receivable or contractual cash flows not expected to be collected, book value of receivables represent its fair value. Differences between the purchase consideration and fair values of the acquired assets, liabilities and contingent liabilities at the acquisition date were the following:

Acquisition date for consolidation purposes	30 June 2011
Property, plant and equipment, intangible assets and investment property	24,288
Animals and livestock	5,718
Crops	9,456
Inventories	2,770
Prepayments and other current assets	2,058
Cash and cash equivalents	3,067
Total assets	**47,357**
Deferred tax liability	(870)
Grants and subsidies	(1,315)
Trade payables	(1,326)
Other liabilities	(1,110)
Total liabilities	**(4,621)**
Total identifiable net assets at fair value	**42,736**
Non-controlling interest measured at the proportionate share of net assets at fair value	(581)
Gain recognized on acquisition of subsidiary, recognised under Other income (Note 26)	19,608
Total purchase consideration	**22,547**
Cash consideration transferred	22,547
Less: cash acquired	(3,067)
Total cash consideration transferred, net of cash acquired	**19,480**

Kėdainiai district Labūnavos ŽŪB revenue and profit or loss since acquisition date were:

	Since acquisition date
Revenue	17,978
Profit (loss)	(346)

The bargain purchase resulted due to the former shareholders' approach to the business from the book value point of view rather than fair value of total identifiable net assets. In addition, the ownership of Kėdainiai district Labūnavos ŽŪB was dispersed into large number of small interests before acquisition what resulted in more favorable transaction for the buyer.

3.GROUP STRUCTURE AND CHANGES IN THE GROUP (CONT'D)

Changes in the Group during the year ended 30 June 2013 (cont'd)

On 11 October 2012 the Company acquired 50% shares of UAB Dotnuvos Projektai for LTL 32,000 thousand to further expand business activities, and increased its ownership interest from 50% to 100%. Before this acquisition the Company had 50% of UAB Dotnuvos Projektai (joint-venture) and accounted for this investment using the equity method in the consolidated financial statements. Differences between the purchase consideration and fair values of the acquired assets, liabilities and contingent liabilities at the acquisition date were the following:

Acquisition date for consolidation purposes	**30 September 2012**
Property, plant and equipment, intangible assets and investment property	38,977
Other non-current assets	9,225
Inventories	58,675
Prepayments and other current assets	73,413
Cash and cash equivalents	2,976
Total assets	**183,266**
Non-current liabilities	(6,851)
Grants and subsidies	(885)
Deferred tax liability	(999)
Current borrowings	(41,027)
Trade payables	(38,740)
Other liabilities	(22,409)
Total liabilities	**(110,911)**
Total identifiable net assets at fair value	**72,355**
Cost (previously accounted at equity method) of initially held equity interest	33,890
Group (loss) re-measuring to fair value the initially held equity interest	(1,890)
Acquisition date fair value of initially held equity interest	**32,000**
Cash consideration transferred	32,000
Total purchase consideration	**64,000**
Gain from a bargain purchase	8,355
Group (loss) on premeasuring to fair value the initially held equity interest	(1,890)
Gain recognized on acquisition of subsidiary, recognized under Other Income (Note 26)	**6,465**
Cash consideration transferred	32,000
Less: cash acquired	(2,976)
Total cash consideration transferred, net of cash acquired	**29,024**

UAB Dotnuvos Projektai sub-group fair value of the receivables as at the date of acquisition were:

	Trade receivables	**Other current receivables**
The gross contractual amounts receivable	63,065	2,076
The best estimate at the acquisition date of the contractual cash flows not expected to be collected	(2,112)	(339)
The fair value of the receivables	**60,953**	**1,737**

UAB Dotnuvos Projektai sub-group revenue and profit or loss since acquisition date and from the beginning of the annual reporting period were:

	Since acquisition date	**Since 1 July 2012**
Revenue	201,449	274,032
Profit (loss)	4,104	12,128

The bargain purchase resulted due to the former shareholders' approach to the business from the book value point of view rather than fair value of total identifiable net assets.

3. GROUP STRUCTURE AND CHANGES IN THE GROUP (CONT'D)

Changes in the Group during the year ended 30 June 2013 (cont'd)

On 28 February 2013 the Company acquired 54.95% shares of UAB Jungtinė Ekspedicija for LTL 1,045 thousand to further expand business activities, and increased its ownership interest to 100%. As at acquisition date UAB Jungtinė Ekspedicija did not have any impaired accounts receivable or contractual cash flows not expected to be collected, book value of receivables represent its recoverable amount. Revenue and profit or loss since acquisition date and from the beginning of the annual reporting period are not disclosed as they are not material to the financial statements.
Differences between the purchase consideration and fair values of the acquired assets, liabilities and contingent liabilities at the acquisition date were the following:

Acquisition date for consolidation purposes	**28 February 2013**
Property, plant and equipment, intangible assets and investment property	201
Trade receivables and other current assets	917
Cash and cash equivalents	867
Total assets	**1,985**
Trade payables	(905)
Other liabilities	(285)
Total liabilities	**(1,190)**
Total identifiable net assets at fair value	**795**
Fair value of initially held equity interest	358
Total purchase consideration	1,045
Difference written-off to profit (loss)	**(608)**
Cash consideration transferred	1,045
Less: cash acquired	(867)
Total cash consideration transferred, net of cash acquired	**178**

On 16 August 2012 the Group established Noreikiškių ŽŪB with LTL 10 thousand share capital and increased share capital up to LTL 1,009 thousand.

On 2 May 2013 a subsidiary of AB Linas Agro Group UAB Linas Agro Grūdų centras KŪB established subsidiary in Latvia SIA Linas Agro Graudu Centrs for LTL 10 thousand share capital.

Subsidiary UAB Lineliai was acquired from Kėdainiai district Labūnavos ŽŪB in amount of LTL 9 thousand.

During the 12 month period, ended 30 June 2013 the Group acquired 0.02% Šakių district Lukšių ŽŪB share capital for LTL 1 thousand, 16.95% Sidabravo ŽŪB share capital for LTL 423 thousand, 0.16% Panevėžio district Aukštadvario ŽŪB for LTL 1 thousand. All the shares were acquired from the non-controlling shareholders. The difference of LTL 1,768 thousand of gain between the consideration transferred and the carrying value of the interest acquired has been recognised within equity.

The Company increased share capital of UAB Linas Agro Konsultacijos, UAB Lineliai, ŽŪB Landvesta 4 and ŽŪB Landvesta 6 in amount of LTL 7,036 thousand, LTL 50 thousand, LTL 11 thousand and LTL 9 thousand, respectively.

Acquisition of non-controlling interest in Šakiai district Lukšių ŽŪB and Sidabravo ŽŪB have resulted in an increase of the effective Group ownership of ŽŪK KUPIŠKIO GRŪDAI by 1.56% up to 97.72% as at 30 June 2013 with a result of LTL 32 thousand of gain accounted directly in equity.

4. SEGMENT INFORMATION

For management purpose the Group is organized into five operating segments based on their products and services as follows:

- the grain and feedstuff handling and merchandising includes trade in wheat, rapeseed, barley and other grains and oilseeds, suncake and sunmeal, sugar beat pulp, soyameal, vegetable oil, rapecake and other feedstuffs, grain storage and logistics services;
- the agricultural production segment includes growing of grains, rapeseed and others as well as sales of harvest, breeding of livestock and sales of milk and livestock. Milk is sold to local dairy companies, other production is partly used internally, partly sold;
- the products and services for farming segment includes sales of fertilizers, seeds, plant protection products, machinery and equipment, grain storage facilities, spare parts and other equipment to agricultural produce growers and grain storage companies;
- food products segment includes poultry and other food final products;
- the other products and services segment includes sales of biofuel and other products and services.

The Group's chief financial officer monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Group financing (including finance cost and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.

Transfer prices between the Group companies are based on normal selling prices in a manner similar to transactions with third parties.

Group **Financial year ended 30 June 2014**	**Grain and feedstuff handling and merchandising**	**Products and services for farming**	**Agricultural production**	**Food products**[7)]	**Other products and services**	**Not attributed to any specified segment**	**Adjustments and elimina-tions**	**Total**
Revenue								
Third parties	1,422,523	416,575	57,451	116,015	5,793	–	–	2,018,357
Intersegment	33,252	25,253	37,856	–	–	–	(96,361)[1)]	–
Total revenue	**1,455,775**	**441,828**	**95,307**	**116,015**	**5,793**	**–**	**(96,361)**[1)]	**2,018,357**
Results								
Operating expenses[6)]	(26,447)	(39,301)	(8,745)	(13,224)	(666)	(14,125)	–	(102,508)
Depreciation and amortisation	(6,776)	(4,758)	(7,575)	(6,149)	(524)	(606)	–	(26,388)
Provisions for onerous contracts	56	–	–	–	–	–	–	56
Write-off bad debts and provisions for doubtful debts	(3,049)	(5,534)	34	(687)	(10)	–	–	(9,246)
Write-off of liabilities	–	–	–	14,142	–	–	–	14,142
Impairment of property, plant and equipment	–	–	(87)	–	–	–	–	(87)
Gain (loss) on acquisition of subsidiary companies	–	–	9,540	12,583	–	–	–	22,123
Gain (loss) on disposal of subsidiary companies	–	–	–	–	5,587	–	–	5,587
Segment operating profit (loss)	**37,905**	**6,202**	**16,739**	**34,140**	**9,478**	**(13,701)**	**–**	**90,763**
Assets								
Capital expenditure[2)]	8,542	5,500	13,245	3,215	1	1,191	–	31,694
Non-current assets (excluding investments into associates and joint ventures)	90,555	38,088	110,728	137,873	7,751	13,055[3)]	–	398,050
Current assets	138,729	363,613	70,439	51,370	2,663	49,317[4)]	–	676,131
Total assets	**229,284**	**401,701**	**181,167**	**189,243**	**10,414**	**62,372**	**–**	**1,074,181**
Current liabilities	115,984	199,054	19,518	24,849	290	55,672[5)]	–	415,367

4. SEGMENT INFORMATION (CONT'D)

Group **Financial year ended 30 June 2013**	**Grain and feedstuff handling and merchandising**	**Products and services for farming**	**Agricultural production**	**Other products and services**	**Not attributed to any specified segment**	**Adjustments and elimina-tions**	**Total**
Revenue							
Third parties	1,629,004	368,745	44,183	1,208	–	–	2,043,140
Intersegment	2,872	28,019	36,284	9,530	–	(76,705)[1)]	–
Total revenue	**1,631,876**	**396,764**	**80,467**	**10,738**	**–**	**(76,705)[1)]**	**2,043,140**
Results							
Operating expenses[6)]	(19,779)	(20,794)	(8,607)	(936)	(29,444)	–	(79,560)
Depreciation and amortisation	(5,766)	(2,344)	(7,228)	(230)	(1,804)	–	(17,372)
Provisions for onerous contracts	(56)	–	–	–	–	–	(56)
Write-off bad debts and provisions for doubtful debts	(2,170)	(974)	(1)	(2)	(573)	–	(3,720)
Gain (loss) on acquisition of subsidiary companies	(608)	6,465	19,608	–	–	–	25,465
Segment operating profit (loss)	**80,723**	**26,396**	**28,425**	**(247)**	**(31,238)**	**–**	**104,059**
Share of profit of joint ventures	–	4,036	–	–	–	–	4,036
Assets							
Capital expenditure[2)]	17,843	4,228	9,232	2,351	5,149	–	38,803
Non-current assets (excluding investments into associates and joint ventures)	85,923	34,084	84,371	11,294	33,655[3)]	–	249,327
Current assets	134,424	336,205	56,912	4,861	39,658[4)]	–	572,060
Total assets	**220,347**	**370,289**	**141,283**	**16,155**	**73,313**	**–**	**821,387**
Current liabilities	66,016	190,910	8,485	1,347	58,925[5)]	–	325,683

1) Intersegment revenue are eliminated on consolidation.
2) Capital expenditure consists of additions of intangible assets, property, plant and equipment and investment property.
3) The amount includes not rented investment property, part of property, plant and equipment, other investments, prepayments for financial assets, non-current loans receivable from related parties, non-current loans receivable from employees and deferred income tax asset.
4) The amount includes current loans receivable from related parties, part of other accounts receivable (excluding receivable from National Paying Agency), restricted cash, cash and cash equivalents.
5) As at 30 June 2014 and 2013 the amount mainly includes income and other taxes payable, current payables to and current loans payable to related parties, and part of borrowings, which are managed on the Group basis.
6) The operating expenses of administration, management departments are shown in Not attributed to any specified segment. The operating expenses of agricultural department are shown in the following order: ½ share in Grain and feedstuff handling and merchandising segment , the rest share in Products and services for farming.
7) The segment Food products was not disclosed for the year ended 30 June 2013 since Latvian poultry entities (AS Putnu fabrika Kekava, SIA Lielzeltini, SIA Cerova and SIA Broileks) were acquired during the year which ended 30 June 2014.

4. SEGMENT INFORMATION (CONT'D)

Sales / Income includes:

	Group		Company	
	Financial year ended			
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Sales of goods	1,995,773	2,017,606	–	–
Sales of services	22,584	25,534	100	100
Dividends from subsidiaries	–	–	23,285	4,756
Rental income from investment and other property	–	–	181	180
Dividends from associates	–	–	899	–
	2,018,357	2,043,140	24,465	5,036

Below is the information relating to the geographical segments of the Group:

	Group	
	12 month period ended	
Revenue from external customers	**30 June 2014**	**30 June 2013**
Lithuania	522,300	533,255
Europe (except for Scandinavian countries, CIS and Lithuania)	513,773	425,090
Scandinavian countries	387,956	427,310
Africa	92,928	20,336
Asia	472,630	605,426
CIS	28,770	31,723
	2,018,357	**2,043,140**

Revenue from largest customer amounted to LTL 287,044 thousand for the year ended 30 June 2014. Revenue from two largest customers amounted to LTL 288,363 thousand and LTL 264,816 thousand for the year ended 30 June 2013. Sales for largest customers are accounted for under grain and feedstuff handling and merchandising caption of business segments as at 30 June 2014 and 2013.

The revenue information above is based on the location of the customer.

Non-current assets	**Group**	
	As at 30 June 2014	**As at 30 June 2013**
Lithuania	211,055	196,140
Latvia*	142,674	7,751
Estonia	4,641	5,152
Denmark	56	89
	358,426	**209,132**

**Increase is influenced by acquisition of AS Putnu fabrika Kekava, SIA Lielzeltini, SIA Cerova and SIA Broileks.*

Non-current assets for this purpose consist of property, plant and equipment, investment property and intangible assets.

5. INTANGIBLE ASSETS

Group	Software	Other intangible assets	Total
Cost:			
Balance as at 30 June 2012	1,807	170	1,977
Additions	219	242	461
Additions of subsidiaries	39	32	71
Write-offs	(2)	(100)	(102)
Balance as at 30 June 2013	2,063	344	2,407
Additions	348	2	350
Additions of subsidiaries	121	1	122
Write-offs	(3)	(15)	(18)
Balance as at 30 June 2014	2,529	332	2,861
Accumulated amortization:			
Balance as at 30 June 2012	1,230	135	1,365
Charge for the year	106	22	128
Write-offs	(2)	(86)	(88)
Balance as at 30 June 2013	1,334	71	1,405
Charge for the year	182	23	205
Write-offs	(1)	(13)	(14)
Balance as at 30 June 2014	1,515	81	1,596
Net book value as at 30 June 2014	**1,014**	**251**	**1,265**
Net book value as at 30 June 2013	**729**	**273**	**1,002**
Net book value as at 30 June 2012	**577**	**35**	**612**

The Group has no internally generated intangible assets. Amortization expenses of intangible assets are included within operating expenses in the statement of comprehensive income.

Part of the intangible assets of the Group with the acquisition value of LTL 2,260 thousand as at 30 June 2014 was fully amortized (LTL 1,504 thousand as at 30 June 2013) but was still in active use.

6. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and structures	Machinery and equipment	Vehicles	Other property, plant and equipment	Construction in progress and prepayments	Total
Cost:							
Balance as at 30 June 2012	10,761	97,550	59,155	6,964	9,751	11,675	195,856
Additions	1,928	6,057	6,533	4,169	2,699	13,321	34,707
Acquisition of subsidiaries	4,568	31,182	18,744	4,694	1,502	2,247	62,937
Disposals and write-offs	(2)	(8)	(3,397)	(1,288)	(827)	(41)	(5,563)
Transfers to/from investment property	427	2,317	–	–	–	–	2,744
Reclassifications	–	12,838	5,913	19	608	(19,378)	–
Exchange differences	–	(25)	(2)	(10)	(4)	–	(41)
Balance as at 30 June 2013	17,682	149,911	86,946	14,548	13,729	7,824	290,640
Additions	6,561	77	10,856	1,274	2,140	10,414	31,322
Acquisition of subsidiaries	15,888	105,924	27,681	2,926	2,874	834	156,127
Disposals and write-offs	(365)	(566)	(4,503)	(1,993)	(1,128)	(283)	(8,838)
Transfers from investment property	5,631	823	–	–	–	–	6,454
Reclassifications	171	10,489	1,731	111	147	(12,649)	–
Exchange differences	(2)	(5)	(2)	(4)	5	2	(6)
Disposals of subsidiaries	–	–	(2,187)	–	(290)	–	(2,477)
Balance as at 30 June 2014	45,566	266,653	120,522	16,862	17,477	6,142	473,222
Accumulated depreciation:							
Balance as at 30 June 2012	–	28,717	32,896	4,113	7,384	–	73,110
Charge for the year	–	9,271	9,666	2,069	1,225	–	22,231
Disposals and write-offs	–	(8)	(1,573)	(990)	(620)	–	(3,191)
Transfers from investment property	–	671	–	–	–	–	671
Exchange differences	–	(1)	2	–	–	–	1
Balance as at 30 June 2013	–	38,650	40,991	5,192	7,989	–	92,822
Charge for the year	–	14,083	12,446	3,318	2,037	–	31,884
Disposals and write-offs	–	(339)	(1,587)	(1,698)	(817)	–	(4,441)
Transfers from investment property	–	124	–	–	–	–	124
Reclassifications	–	–	(58)	58	–	–	–
Exchange differences	–	19	(4)	–	–	–	15
Disposals of subsidiaries	–	–	(499)	–	(162)	–	(661)
Balance as at 30 June 2014	–	52,537	51,289	6,870	9,047	–	119,743
Impairment losses:							
Balance as at 30 June 2012	18	449	19	3	1	–	490
(Reversal) charge for the year	(26)	–	16	(3)	2	–	(11)
Transfer from investment property	8	1,128	–	–	–	–	1,136
Balance as at 30 June 2013	–	1,577	35	–	3	–	1,615
(Reversal) charge for the year	160	(77)	3	1	–	–	87
Balance as at 30 June 2014	160	1,500	38	1	3	–	1,702
Net book value as at 30 June 2014	**45,406**	**212,616**	**69,195**	**9,991**	**8,427**	**6,142**	**351,777**
Net book value as at 30 June 2013	**17,682**	**109,684**	**45,920**	**9,356**	**5,737**	**7,824**	**196,203**
Net book value as at 30 June 2012	**10,743**	**68,384**	**26,240**	**2,848**	**2,366**	**11,675**	**122,256**

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group's depreciation charge for the years ended 30 June 2014 and 30 June 2013 was included into the following captions of the statement of financial position and the statement of comprehensive income:

	Financial year ended	
	30 June 2014	**30 June 2013**
Cost of sales	23,095	15,069
Biological assets	2,243	2,561
Operating expenses	5,211	3,865
Other expenses	302	5
Raw materials and other inventories	1,033	731
	31,884	22,231

Depreciation amount was decreased in the statement of comprehensive income by LTL 2,698 thousand for the year ended 30 June 2014 (LTL 1,802 thousand for the year ended 30 June 2013) by the amortisation of grants received by the Group (Note 18).

As at 30 June 2014 part of property, plant and equipment of the Group with the net book value of LTL 264,300 thousand (LTL 120,796 thousand as at 30 June 2013), was pledged to banks as a collateral for the loans (Note 19).

Part of property, plant and equipment with the acquisition cost of LTL 55,883 thousand was fully depreciated as at 30 June 2014 (LTL 33,054 thousand as at 30 June 2013), but was still in active use.

7. INVESTMENT PROPERTY

Investment property of the Group consists of land and buildings leased out under the operating lease which generates lease income and land and buildings which were not used in the Group's activities as at 30 June 2014.

Cost:	**Land**	**Buildings**	**Total**
Balance as at 30 June 2012	8,228	3,297	11,525
Additions	3,239	400	3,639
Acquisition of subsidiaries	456	–	456
Disposals and write-offs	(716)	–	(716)
Transfers to property, plant and equipment	(427)	(2,317)	(2,744)
Exchange differences	(7)	–	(7)
Balance as at 30 June 2013	10,773	1,380	12,153
Additions	7	15	22
Acquisition of subsidiaries	–	39	39
Disposals and write-offs	(209)	–	(209)
Transfers to property, plant and equipment	(5,631)	(823)	(6,454)
Balance as at 30 June 2014	4,940	611	5,551
Accumulated depreciation:			
Balance as at 30 June 2012	–	790	790
Charge for the year	–	107	107
Transfers to property, plant and equipment	–	(671)	(671)
Balance as at 30 June 2013	–	226	226
Charge for the year	–	65	65
Transfers to property, plant and equipment	–	(124)	(124)
Balance as at 30 June 2014	–	167	167
Impairment losses:			
Balance as at 30 June 2012	94	1,128	1,222
(Reversal) charge for the year	(86)	–	(86)
Transfers to property, plant and equipment	(8)	(1,128)	(1,136)
Balance as at 30 June 2013	–	–	–
Balance as at 30 June 2014	–	–	–
Net book value as at 30 June 2014	**4,940**	**444**	**5,384**
Net book value as at 30 June 2013	**10,773**	**1,154**	**11,927**
Net book value as at 30 June 2012	**8,134**	**1,379**	**9,513**

Investment property of the Company consists of buildings leased out under the operating lease which generates lease income.

Cost:	**Buildings**
Balance as at 30 June 2012, 30 June 2013 and 30 June 2014	626
Accumulated depreciation:	
Balance as at 30 June 2012	111
Charge for the year	29
Balance as at 30 June 2013	140
Charge for the year	30
Balance as at 30 June 2014	170
Net book value as at 30 June 2014	**456**
Net book value as at 30 June 2013	**486**
Net book value as at 30 June 2012	**515**

Depreciation expenses of investment property are included within other expenses in the statement of comprehensive income.

7. INVESTMENT PROPERTY (CONT'D)

As at 30 June 2014 part of investment property of the Group with the net book value of LTL 4,911 thousand (LTL 8,427 thousand as at 30 June 2013), was pledged to banks as a collateral for the loans (Note 19). As at 30 June 2014 and 30 June 2013 the Company has pledged all its investment property to the bank as collateral for the loan received by its subsidiary AB Linas Agro (Note 19).

As at 30 June 2014 part of investment property of the Group and the Company with the net book value of LTL 125 thousand and LTL 125 thousand, respectively (LTL 2,370 thousand and LTL 438 thousand, respectively as at 30 June 2013) was not used in the Group's and the Company's activities.

Fair value of the Group's and the Company's investment property as at 30 June 2014 is LTL 12,680 thousand and LTL 1,710 thousand, respectively (as at 30 June 2013 LTL 18,612 thousand and LTL 1,710 thousand, respectively). Fair value has been determined based on valuations performed by independent valuators at near reporting date using the comparable prices method (Level 2).

8. OTHER INVESTMENTS AND PREPAYMENTS FOR FINANCIAL ASSETS

Other investments and prepayments of the Group and the Company consist of:

	Share held by the Group	Group		Company	
		As at 30 June 2014	As at 30 June 2013	As at 30 June 2014	As at 30 June 2013
Prepayment for financial assets to be acquired		–	8,873	–	8,873
Prepayment for increase of share capital of AS Putnu fabrika Kekava		–	–	9,736	–
Prepayment for increase of share capital of UAB Linas Agro Konsultacijos		–	–	–	21,153
Investment into Panevėžys district Ėriškių ŽŪB	24.97%	–	173	–	–
Other investments		59	60	–	–
		59	9,106	9,736	30,026

The investment into Panevėžys district Ėriškių ŽŪB is not classified as an associate and therefore not accounted for using the equity method because the Group does not have voting rights in the company and does not have the ability to exercise significant influence. As June 30 2014 the investment into Panevėžys district Ėriškių ŽŪB shown as current investment for sale.

The Company is going to increase the share capital of AS Putnu Fabrika Kekava by covering with loans granted by the Company and other receivables amounting to LTL 9,736 thousand as at 30 June 2014. The Company has increased the share capital of UAB Linas Agro Konsultacijos by covering with loans granted by the Company LTL 21,153 thousand during the year ended 30 June 2014.

9. NON-CURRENT RECEIVABLES

	Group		Company	
	As at 30 June 2014	As at 30 June 2013	As at 30 June 2014	As at 30 June 2013
Trade receivables from agricultural produce growers due after one year	54	468	–	–
Other trade receivables*	3,635	–	–	–
Loans receivable from related parties after one year (Note 32)	1,198	2,540	18,941	–
Loans receivable after one year	1,678	2,098	–	–
Other non-current receivable	60	485	–	403
Loans to employees	180	182	–	–
	6,805	5,773	18,941	403

* Other trade receivables mainly comprise of receivable for sold lignin.

9. NON-CURRENT RECEIVABLES (CONT'D)

On 30 March 2010 AB Linas Agro and AB Klaipėdos jūrų krovinių kompanija (hereinafter – KLASCO) signed a long term cooperation agreement for expansion of a grain terminal. AB Linas Agro participates by partly financing (in total LTL 4,450 thousand) expansion of the grain terminal and will have an exclusive right for five years to use the silage warehouses stowing 40 thousand tons of grain and to use the terminal for loading.

As at 30 June 2014 the balance of AB Linas Agro receivable from KLASCO amounted to LTL 1,928 thousand. The amount is disclosed as non-current loans receivable (LTL 963 thousand, respectively as at 30 June 2013 – LTL 1,780 thousand) and current loans receivable (LTL 965 thousand, respectively as at 30 June 2013 – LTL 890 thousand).

The Group's and Company's non-current receivables were neither due nor impaired as at 30 June 2014 and 30 June 2013.

10. BIOLOGICAL ASSETS

Fair value of the Group's animals and livestock:

	Milking cows (level 3)	Heifers (level 2)	Bulls and fattening cattle (level 2)	Horses (level 2)	Poultry (level 3)	Total animals and livestock
Fair value as at 30 June 2012	8,360	2,711	781	–	–	11,852
Acquisition of subsidiary (Note 3)	2,990	1,041	1,676	11	–	5,718
Births	–	228	277	–	–	505
Makeweight	5	3,860	2,018	3	–	5,886
Transfers between groups	843	(3,029)	2,186	–	–	–
Disposals	(96)	(514)	(4,382)	(8)	–	(5,000)
Write-offs and falls	(195)	(50)	(37)	–	–	(282)
Change in fair value of biological assets (Note 24)	1,049	513	(770)	–	–	792
Fair value as at 30 June 2013	12,956	4,760	1,749	6	–	19,471
Acquisition of subsidiaries (Note 3)	4,138	1,533	1,353	–	10,206	17,230
Acquisition	–	134	–	3	15,993	16,130
Births	–	271	415	–	1,078	1,764
Makeweight	–	5,831	3,262	–	79,317	88,410
Transfers between groups	1,565	(4,702)	3,137	–	–	–
Disposals	(527)	(726)	(6,681)	(3)	(94,385)	(102,322)
Write-offs and falls	(279)	(56)	(63)	(3)	(1,230)	(1,631)
Change in fair value of biological assets (Note 24)	(6,209)	–	(409)	–	(476)	(7,094)
Fair value as at 30 June 2014	11,644	7,045	2,763	3	10,503	31,958

Quantity according to biological assets group:	**Milking cows (level 3)**	**Heifers (level 2)**	**Bulls and fattening**	**Horses (level 2)**	**Poultry (level 3)**	**Total animals and livestock**
As at 30 June 2014	2,999	3,013	1,660	5	1,860,649	1,868,326
As at 30 June 2013	2,244	2,184	995	8	–	5,431

Output according to biological assets group for the year ended (t):						
As at 30 June 2014	23,502	433	796	3	15,859	40,593
As at 30 June 2013	17,262	405	554	3	–	18,224

10.BIOLOGICAL ASSETS (CONT'D)

Fair value of the Group's crops (level 3):

	Winter cultures	Summer cultures	Rapeseeds	Feeding cultures	Total crops
Fair value as at 30 June 2012	15,134	9,378	8,710	3,173	36,395
Additions	17,878	12,867	11,187	4,116	46,048
Transfers between groups					
Acquisitions of subsidiaries (Note 3)	3,170	1,761	3,830	695	9,456
Harvested assets	(22,558)	(14,353)	(13,856)	(4,376)	(55,143)
Transfers between groups	4	(4)	–	–	–
Fair value adjustment on biological assets (Note 24)	1,543	1,965	682	–	4,190
Fair value as at 30 June 2013	15,171	11,614	10,553	3,608	40,946
Additions	15,815	19,015	11,087	6,036	51,953
Acquisitions of subsidiary (Note 3)	24	1,033	141	1,396	2,594
Transfers between groups	(322)	393	(88)	17	–
Harvested assets	(18,043)	(15,381)	(12,203)	(6,211)	(51,838)
Fair value adjustment on biological assets (Note 24)	(1,205)	6,784	(237)	97	5,439
Fair value as at 30 June 2014	11,440	23,458	9,253	4,943	49,094

Fair value adjustment for winter cultures and rapeseeds as at 30 June 2014 was influenced by expenses related to winterkill in amount of LTL 4,377 thousand which occurred due to climatic events.

Crops under groups:	**Winter cultures**	**Summer cultures**	**Rapeseeds**	**Feeding cultures**	**Total crops**
Total sowed (ha) as at 30 June 2013	5,124	3,897	3,309	1,618	13,948
Total sowed (ha) as at 30 June 2014	3,423	7,557	3,193	2,630	16,803
Harvested crops under groups:					
Total harvest for the year ended 30 June 2013 (t)	31,694	24,670	10,165	73,831	140,360
Total harvest for the year ended 30 June 2014 (t)	32,870	23,811	9,302	42,644	108,627

As at 30 June 2014 and 30 June 2013 the management of the Group treats all animals and livestock (excluding eggs and broilers) as non-current assets and all crops, eggs and broilers as current.

All changes in fair value of biological assets were accounted for under cost of sales caption in the statement of comprehensive income.

During the years ended 30 June 2013 and 2014 there were no transfers between the different levels of fair value hierarchy.

As at 30 June 2014 part of animals and livestock of the Group with the carrying value of LTL 17,009 thousand (LTL 8,371 thousand as at 30 June 2013) was pledged to banks as a collateral for the loans (Note 19).

11. INVENTORIES

	Group	
	As at 30 June 2014	As at 30 June 2013
Purchased goods for resale (at cost or net realizable value)	194,784	157,777
Raw materials and other inventories	37,940	11,796
Commitments to purchase agricultural produce (Note 15)	838	(1,457)
	233,562	168,116

The carrying value of the Group's inventories accounted for at net realizable value as at 30 June 2014 amounted to LTL 4,115 thousand (LTL 350 thousand as at 30 June 2013). The amount of write-down of inventories to net realizable value recognized as an expense in the year ended 30 June 2014 is LTL 977 thousand (LTL 215 thousand in the year ended 30 June 2013), and is recognized in cost of sales of the statement of comprehensive income.

As at 30 June 2014 part of inventories of the Group with the carrying value of LTL 112,782 thousand (LTL 88,301 thousand as at 30 June 2013) was pledged to banks as collateral for the loans (Note 19).

12. PREPAYMENTS

	Group	
	As at 30 June 2014	As at 30 June 2013
Prepayments to agricultural produce growers	3,134	2,464
Prepayments to other suppliers	14,353	6,551
Less: allowance for doubtful prepayments to other suppliers	–	(6)
	17,487	9,009

During year ended 30 June 2014 and 30 June 2013, prepayments were made directly to agricultural produce growers of production. These payments are non-interest bearing and are generally collectible from the agricultural produce growers within 120 - 360 days by delivering grain to the Group.

Movements in the allowance for impairment of the Group's prepayments were as follows:

	Individually impaired
Balance as at 30 June 2012	–
Written-down during the year	6
Balance as at 30 June 2013	(6)
Written-down during the year	6
Balance as at 30 June 2014	–

13. TRADE RECEIVABLES

	Group	
	As at 30 June 2014	As at 30 June 2013
Trade receivables from agricultural produce growers	139,059	169,045
Trade receivables from other customers	182,327	129,832
Less: allowance for doubtful trade receivables	(13,762)	(25,717)
	307,624	273,160

Changes in allowance for trade receivables for the years ended 30 June 2014 and 30 June 2013 were included into operating expenses in the statement of comprehensive income.

Trade receivables from other customers are non-interest bearing and are generally collectible on 30–90 days term. Trade receivables from agricultural produce growers are non-interest bearing and are generally settled within 120–360 days by delivering grain to the Group.

As at 30 June 2014 the Group's trade receivables with the nominal value of LTL 9,022 thousand (LTL 23,893 thousand as at 30 June 2013) were impaired and fully provided for.

Movements in the allowance for impairment of the Group's trade receivables were as follows:

	Individually impaired
Balance as at 30 June 2012	23,015
Charge for the year	4,219
Reversed during the year	(962)
Written-off during the year	(555)
Balance as at 30 June 2013	25,717
Charge for the year	3,215
Reversed during the year	(554)
Written-off during the year	(14,616)
Balance as at 30 June 2014	13,762

The ageing analysis of the Group's trade receivables as at 30 June 2014 and 30 June 2013 is as follows:

	Trade receivables neither past due nor impaired	Past due but not impaired				Total
		Less than 90 days	91 - 180 days	180 - 270 days	More than 271 days	
2013	250,818	17,739	1,329	827	2,447	273,160
2014	277,720	25,322	500	414	3,668	307,624

As at 30 June 2014 the Group transferred rights to part of its trade receivables with the value of LTL 301,340 thousand (LTL 213,271 thousand as at 30 June 2013) to banks as collateral for the loans (Note 19). Factorised trade receivables in the amount of LTL 22,916 thousand as at 30 June 2014 (LTL 34,105 thousand as at 30 June 2013) are included in aggregate amount of collateral for the loans. Additionally, as collateral for the loans as at 30 June 2014 the Group transferred rights to the banks for future receivables with the value of LTL 275 thousand (LTL 1,253 thousand as at 30 June 2013) arising from the investment property rent contracts.

14. OTHER ACCOUNTS RECEIVABLES

	Group	
Financial assets	**As at 30 June 2014**	**As at 30 June 2013**
National Paying Agency	8,518	6,358
Loans receivable	9,477	7,740
Loans granted to the Group employees	127	141
Interest receivable	886	355
Accrued income	1,800	4,555
Receivable for assets held for sale	695	425
Other receivables	2,877	3,001
Less: allowance for doubtful loans receivable	(5,703)	–
	18,677	22,575
Non-financial assets		
VAT receivable	4,790	5,946
Other recoverable taxes	92	15
	4,882	5,961
	23,559	28,536

As at 30 June 2014 the Group and the Company holds lignin as a collateral for the loan granted which could be sold or repledged if the debtor defaulted. The fair value of the collateral amounts to LTL 3,321 thousand. There are no significant terms and conditions associated with the use of collateral.

Changes in allowance for other accounts receivables for the years ended 30 June 2014 were included into operating expenses in the statement of comprehensive income.

Movements in the allowance for impairment of the Group's other accounts receivable were as follows:

	Individually impaired
Balance as at 30 June 2012	205
Charge for the year	(205)
Balance as at 30 June 2013	–
Charge for the year	5,703
Balance as at 30 June 2014	5,703

The ageing analysis of the Group's other receivables (except for non-financial assets) as at 30 June 2014 and 30 June 2013 is as follows:

	Other accounts receivable neither past due nor impaired	**Past due but not impaired**				**Total**
		Less than 90 days	**91 - 180 days**	**181 - 270 days**	**More than 271 days**	
2013	15,745	5,956	239	33	602	22,575
2014	18,641	33	2	1	–	18,677

15. OTHER CURRENT FINANCIAL ASSETS AND DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses the hierarchy described in Note 2.27 for determining and disclosing the fair value of financial instruments by valuation technique:

			Group	
			As at 30 June 2014	**As at 30 June 2013**
Other current financial assets				
Other derivative financial instruments	Level 1	b)	378	593
Restricted cash		c)	1,511	1,541
Other			275	68
			2,164	2,202
Derivative financial instruments (liabilities)				
Derivative financial instruments designated as hedges	Level 1	a)	(870)	–
Foreign exchange forward and swap contracts	Level 2		–	(816)
Other derivative financial instruments	Level 1	b)	–	(1,974)
			(870)	(2,790)

The Group concludes forward agreements (with fixed price) with Lithuanian and Latvian agricultural production growers for purchase and with domestic and international customers for sale of agricultural produce. Part of purchase/sales agreements are not matched which raises the price fluctuation risk. As at 30 June 2014 Group's total amount of such purchase/sale contracts to buy crops was LTL 31,985 thousand and to sell – LTL 58,074 thousand (LTL 52,772 and LTL 67,505 thousand as at 30 June 2013 respectively). To hedge the arising risk of price fluctuations for the not covered purchase/sale commitments the Company concludes futures contracts that are traded on NYSE Euronext Paris SA exchange.

a) Derivative financial instruments used to hedge the price risk were attributed to the category of fair value hedge. As at 30 June 2014 the fair value of such futures contracts was equal to LTL 870 thousand of loss (LTL 0 thousand of losses as at 30 June 2013). These results are accounted for in cost of sales in the statement of comprehensive income. As at 30 June 2014 hedged item (commitments to purchase agricultural produce) of LTL 838 thousand of gain (LTL 1,457 thousand of loss as at 30 June 2013) is accounted for as inventories (Note 11) in the statement of financial position and in cost of sales in the statement of comprehensive income by netting with gain and losses arising from the hedge instrument. During the year ended 30 June 2014 the Group incurred LTL 2,295 thousand of gain from hedged item (commitments to purchase agricultural produce) (during the year ended 30 June 2013 – LTL 1,457 thousand of loss)

b) Other derivative financial instruments comprise financial instruments which were traded by the Group`s company AB Linas Agro on behalf of related parties. The respective receivable from related parties as at 30 June 2013 in the amount of LTL 1,974 thousand and payable to related parties in the amount of LTL 429 thousand is recorded in the Group's financial statements (Note 32). No such financial derivatives were open as at 30 June 2014.

c) As at 30 June 2014 and 30 June 2013 restricted cash balance mostly consists of cash at bank account, held as a deposit for trading in the futures exchange.

In the cases when fair value of other financial assets can not be reliably determined based on available active market data, the fair value is assessed based on mathematical models. Where possible observable market inputs are used in the models, in other instances certain assumptions are used.

16. CASH AND EQUIVALENTS

	Group		Company	
	As at 30 June 2014	**As at 30 June 2013**	**As at 30 June 2014**	**As at 30 June 2013**
Cash at bank	29,541	30,006	2,055	3,252
Money market instruments with maturity of less than three months	–	4,000	–	–
Cash in transit	98	145	–	–
Cash on hand	165	89	–	–
	29,804	34,240	2,055	3,252

As at 30 June 2013 the Group had money market instruments, with interest rate of 0.01% and residual value of LTL 4,000 thousand. Part of the Group's accounts at banks and cash inflows was pledged to banks as collateral for the loans (LTL 8,467 thousand and LTL 2,289 thousand as at 30 June 2014 and 2013 respectively). As at 30 June 2014 and 30 June 2013 there were no restrictions on use of cash balances held in the pledged accounts (Note 19).

17. RESERVES

Legal reserve

A legal reserve is a compulsory reserve under the Lithuanian legislation. Annual transfers of not less than 5% of net profit, calculated in accordance with International Financial Reporting Standards, are compulsory until the reserve reaches 10% of the share capital. Legal reserve was not fully formed as at 30 June 2014 and 30 June 2013.

Reserve for own shares

A reserve for own shares acquisition was formed based on the decision of the annual general meeting of the Company's shareholders, held on 27 October 2011 and 24 October 2013 in amount of LTL 1,600 thousand and LTL 4,700 thousand respectively. Purpose of acquisition of own shares is to maintain and increase the price of the Company's shares. Period during which the Company may purchase own shares is from 24 October 2011 till 24 April 2015.

During the year ended 30 June 2014 the Company did not acquire its own shares. During the year ended 30 June 2013 the Company acquired 800,000 own shares for LTL 1,599 thousand and disposed 9,028 own shares for LTL 14 thousand, net result of this transaction is recognised directly to the statement of changes in equity.

Foreign currency translation reserve

The foreign currency translation reserve results from translation differences arising on consolidation of SIA Linas Agro, SIA DOTNUVOS PROJEKTAI and Linas Agro A/S as at 30 June 2014 and as 30 June 2013 (Note 3).

Other reserves

Other reserves are formed based on the decision of the General Shareholders' Meeting on appropriation of distributable profit. These reserves can be used only for the purposes approved by the General Shareholders' Meeting.

18. GRANTS AND SUBSIDIES

The movement of grants received by the Group is as follows:

Balance as at 30 June 2012	11,855
Received	4,804
Acquisition of subsidiaries (Note 3)	2,200
Amortisation	(2,325)
Balance as at 30 June 2013	16,534
Received	2,149
Acquisition of subsidiaries (Note 3)	11,811
Amortisation	(3,292)
Balance as at 30 June 2014	27,202

18. GRANTS AND SUBSIDIES (CONT'D)

As at 30 June 2014 the amount is disclosed in the statement of financial position as non-current liabilities (LTL 23,998 thousand) and other current liabilities (LTL 3,204 thousand) (as at 30 June 2013 LTL 14,360 thousand as non-current liabilities and LTL 2,174 thousand - as other current liabilities).

The major part of the Group's grants consists of the funds received from the European Union and National Paying Agency for the purpose of an acquisition of machinery and equipment (property, plant and equipment).

The amortisation of grants of the Group for the years ended 30 June 2014 and 30 June 2013 was included into the following captions of the statement of financial position and the statement of comprehensive income:

	Group	
	Financial year ended	
	30 June 2014	30 June 2013
Cost of sales (reduces the depreciation expenses of related assets)	2,698	1,802
Biological assets	274	410
Raw materials and other inventories	70	113
Other income	233	–
Other operating expenses	17	–
	3,292	2,325

For the years ended 30 June 2014 and 30 June 2013 the Group also received subsidies for animals and livestock, crops and milk in the total amount of LTL 10,353 thousand and LTL 7,623 thousand, respectively, which were accounted for in the sales caption of the statement of comprehensive income.

19. BORROWINGS

	Group		Company	
	As at 30 June 2014	As at 30 June 2013	As at 30 June 2014	As at 30 June 2013
Non-current borrowings				
Bank borrowings secured by the Group assets	96,760	31,742	16,919	–
Other non-current borrowings	32	143	–	–
	96,792	31,885	16,919	–
Current borrowings				
Current portion of non-current bank borrowings	21,693	19,935	4,834	–
Current bank borrowings secured by the Group assets	188,722	107,226	–	–
Other current borrowings	29,005	39,408	5,683	8,227
	239,420	166,569	10,517	8,227
	336,212	**198,454**	**27,436**	**8,227**

Interest payable is normally settled monthly throughout the financial year.

As at 30 June 2014 and 30 June 2013 property, plant and equipment, investment property, biological assets, inventories, trade receivables and bank accounts were pledged to banks as a collateral for the loans (Notes 6, 7, 10, 11, 13, 16). Also as at 30 June 2013 UAB Linas Agro Konsultacijos pledged shares of Biržai district Medeikių ŽŪB, Šakiai district Lukšių ŽŪB, Panevėžys district Aukštadvario ŽŪB, Sidabravo ŽŪB, Panevėžys district Ėriškių ŽŪB and Panevėžys district Žibartonių ŽŪB to bank as collateral for the loans.

Compliance with the covenants of the borrowings agreements

During the year ended 30 June 2014 a company of the Group did not comply with the covenants of the part of current borrowing agreements. Current portion of such borrowing agreements comprised to LTL 49,712 thousand.

19. BORROWINGS (CONT'D)

Weighted average effective interest rates of borrowings outstanding at the year-end:

	Group		Company	
	As at 30 June 2014	As at 30 June 2013	As at 30 June 2014	As at 30 June 2013
Current borrowings	2.06%	2.24%	–	3.29%
Non-current borrowings	2.63%	2.44%	2.76%	–

Borrowings at the end of the year in national and foreign currencies (LTL equivalent):

	Group		Company	
	As at 30 June 2014	As at 30 June 2013	As at 30 June 2014	As at 30 June 2013
Borrowings denominated in:				
EUR	193,039	119,724	25,916	4,163
USD	12,852	1,640	–	–
LTL	130,321	77,090	1,520	4,064
	336,212	198,454	27,436	8,227

As at 30 June 2014 Group not utilized credit lines comprise LTL 134,320 thousand (LTL 160,947 thousand as at 30 June 2013).

20. FINANCE LEASE OBLIGATIONS

The assets leased by the Group under finance lease contracts consist of buildings and structures, machinery and equipment, vehicles and other property, plant and equipment. The terms of lease do not include restrictions on the activities of the Group in connection with the dividends, additional borrowings or additional lease agreements. Apart from the lease payments, the most significant liabilities under the lease contracts are maintenance and insurance. The terms of finance lease vary from 3 to 5 years.

The split of the net book value of the assets acquired under finance lease is as follows:

	Group	
	As at 30 June 2014	As at 30 June 2013
Buildings and structures	270	364
Machinery and equipment	2,863	2,131
Vehicles	4,852	5,662
Other property, plant and equipment	552	636
	8,537	8,793

Principal amounts of finance lease payables at the year-end denominated in national and foreign currencies are as follows:

	Group	
	As at 30 June 2014	As at 30 June 2013
EUR	5,722	6,381
LTL	2,883	1,454
	8,605	7,835

As at 30 June 2014 the interest rate on the finance lease obligations in EUR varies depending on the EURLIBOR, EURIBOR and VILIBOR and ranges from 1.12% to 4.5%. The interest rate for the remaining portion of the finance lease liability in LTL outstanding as at 30 June 2014 is fixed, i.e. from 2% to 5%.

As at 30 June 2013 the interest rate on the finance lease obligations in EUR varies depending on the EURLIBOR and EURIBOR and ranges from 1.22% to 3.41%. The interest rate for the remaining portion of the finance lease liability in LTL outstanding as at 30 June 2013 is fixed, i.e. 5%.

20. FINANCE LEASE OBLIGATIONS (CONT'D)

Minimal future minimum lease payments under the above mentioned finance lease contracts are as follows:

	Group	
	As at 30 June 2014	**As at 30 June 2013**
Within one year	3,045	2,681
From one to five years	4,843	4,971
After five years	1,753	869
Total finance lease obligations	9,641	8,521
Interest	(1,036)	(686)
Present value of finance lease obligations	8,605	7,835
Finance lease obligations are accounted for as:		
- current	2,796	2,445
- non-current	5,809	5,390

21. OPERATING LEASE

The Group concluded several contracts of operating lease. The terms of lease do not include restrictions on the activities of the Group in connection with the dividends, additional borrowings or additional lease agreements. For the year ended 30 June 2014 the lease expenses of the Group amounted to LTL 1,887 thousand (LTL 1,626 thousand for the year ended 30 June 2013).

Minimal future lease payments according to the signed lease contracts are as follows:

	Group	
	As at 30 June 2014	**As at 30 June 2013**
Within one year	1,673	1,465
From one to five years	3,789	3,206
After five years	2,029	2,179
Total	7,491	6,850
Denominated in (LTL equivalent):		
- EUR	2,369	2,545
- LTL	5,122	4,305

The Company does not have operating lease agreements as at 30 June 2014 and 30 June 2013.

22. TRADE PAYABLES

Trade payables are non-interest bearing and are normally settled on 360-day term.

23. OTHER CURRENT LIABILITIES

	Group	
	As at 30 June 2014	**As at 30 June 2013**
Bonuses to employees	14,047	15,992
Vacation accrual	8,585	5,370
Advances received	1,631	6,200
Payroll related liabilities	7,286	5,038
VAT payable	9,250	9,680
Current portion of grants (Note 18)	3,204	2,174
Other liabilities	7,997	3,921
	52,000	**48,375**

Other current liabilities are non-interest bearing and have an average term of three months.

24. COST OF SALES

	Group	
	Financial year ended	
	30 June 2014	**30 June 2013**
Cost of inventories recognised as an expense	1,661,696	1,715,559
Logistics expenses	119,086	125,735
Wages and salaries and social security	44,552	19,649
Provision for onerous contracts	(56)	56
Depreciation	20,397	13,267
Utilities expenses	11,143	5,445
Change in fair value of biological assets (Note 10)	1,655	(4,982)
Change in fair value of financial instruments	1,010	270
Other	9,717	9,894
	1,869,200	1,884,893

25. OPERATING EXPENSES

	Group		Company	
	Financial year ended			
	30 June 2014	**30 June 2013**	**30 June 2014**	**30 June 2013**
Wages and salaries and social security	55,805	49,383	58	59
Change in allowance for and write-offs of receivables and prepayments	9,246	3,720	–	–
Consulting expenses	3,959	2,800	1,492	1,143
Depreciation and amortization	5,416	3,993	10	30
Advertisement, marketing	3,594	2,478	–	–
Bank fees	2,933	2,216	–	–
Change in impairment of property, plant and equipment (Note 6)	87	(11)	–	–
Currency exchange loss	222	–	21	5
Other	21,246	14,981	654	788
	102,508	79,560	2,235	2,025

26. OTHER INCOME (EXPENSES)

	Group	
	Financial year ended	
Other income	**30 June 2014**	**30 June 2013**
Fees from farmers for grain non-deliveries	–	593
Rental income from investment property and property, plant and equipment	1,866	1,000
Gain from disposal of investment property and property, plant and equipment	1,451	792
Gain from acquisition of subsidiaries (Note 3)	22,123	26,073
Gain from disposal of subsidiaries (Note 3)	5,587	–
Write-off of liabilities (Note 3)	14,142	–
Other income	1,748	792
	46,917	**29,250**
Other (expenses)		
Direct operating expenses arising on rental and non-rental earning investment properties	(509)	(463)
Loss from acquisition of subsidiaries (Note 3)	–	(608)
Change in impairment of investment property	–	86
Loss from disposal of property, plant and equipment	(263)	(122)
Currency exchange loss	(1,250)	(485)
Change in fair value of currency financial instruments	(447)	(1,840)
Other expenses	(334)	(446)
	(2,803)	**(3,878)**

27. INCOME (EXPENSES) FROM FINANCING ACTIVITIES

	Group		Company	
	Financial year ended		Financial year ended	
	30 June 2014	**30 June 2013**	**30 June 2014**	**30 June 2013**
Income from financing activities				
Interest income	2,052	1,526	2,427	3,334
Income from overdue payments	42	165	–	–
	2,094	**1,691**	**2,427**	**3,334**
(Expenses) from financing activities				
Interest expenses	(9,346)	(8,368)	(891)	(190)
Expenses for overdue payments	(625)	(385)	–	–
	(9,971)	**(8,753)**	**(891)**	**(190)**

28. INCOME TAX

	Group	
	Financial year ended	
	30 June 2014	**30 June 2013**
Current income tax expense	5,843	10,694
Income tax correction for prior periods	425	(127)
Deferred income tax (income) expense	(5,004)	40
Income tax expenses recorded in the statement of comprehensive income	1,264	10,607

28. INCOME TAX (CONT'D)

	Group	
	Financial year ended	
	As at 30 June 2014	As at 30 June 2013
Deferred income tax asset		
Tax loss carry forward (available indefinitely)	6,776	1,691
Accruals	2,384	1,693
Investment incentive	733	173
Allowance for trade receivables	3,005	1,106
Impairment of investment property	319	193
Impairment of property, plant and equipment	378	396
Allowance for inventories	476	308
Fair value of financial instruments	158	-
Other	17	412
Total deferred income tax asset	14,246	5,972
Deferred income tax liability		
Property, plant and equipment (difference between tax and accounting values)	(11,302)	(1,748)
Fair value of biological assets	(406)	(513)
Intangible assets (difference between tax and accounting values)	–	(25)
Other	(273)	(183)
Total deferred income tax liability	(11,981)	(2,469)
Deferred income tax, net	2,265	3,503
Accounted for as deferred income tax asset in the statements of financial position	7,544	5,845
Accounted for as deferred income tax liability in the statements of financial position	5,279	2,341

Increase in recognised deferred tax asset from tax loss carry forward in financial year ended 30 June 2014 is related to acquisition of AS Putnu fabrika Kekava.

Increase in recognised deferred tax liability from Property, plant and equipment (difference between tax and accounting values) in financial year ended 30 June 2014 is related to acquisition of AS Putnu fabrika Kekava and SIA Lielzeltini.

The Group's deferred income tax asset and liability were set-off to the extent they relate to the same tax administration institution and the same taxable entity.

As at 30 June 2014 and 30 June 2013 the Group has not recognised deferred tax asset for the following temporary differences:

	Group	
	As at 30 June 2014	As at 30 June 2013
Tax loss carry forward	2,857	2,869
Allowance for trade receivables	1,021	2,751
Investment incentive	561	495
Impairment of property, plant and equipment	69	–
Accrued expenses	28	5
	4,536	6,120

Temporary differences are available indefinitely, unless above otherwise stated.

Deferred tax asset has not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group and they have arisen in subsidiaries that have a history of losses.

28. INCOME TAX (CONT'D)

There are no temporary differences associated with investments in associates and joint ventures as at 30 June 2014 and 2013.

The changes of temporary differences before and after tax effect in the Group were as follows:

	Balance as at 30 June 2013	Recognised in statement of comprehensive income	Recognition of previously unrecognized deferred tax asset	Disposed subsidiary	Acquired subsidiaries	Balance as at 30 June 2014
Tax loss carry forward (available indefinitely)	11,274	–	12,794	(1,200)	24,723	47,591
Accruals	12,289	2,916	1,387	–	303	16,895
Investment incentive	729	(341)	–	–	–	388
Differences in tax base for trade receivables	10,362	1,963	9,662	–	1,973	23,960
Impairment of investment property	1,285	–	–	–	–	1,285
Impairment of property, plant and equipment	2,640	161	–	–	–	2,801
Fair value of financial instruments	–	1,052	–	–	–	1,052
Fair value of biological assets	(10,259)	8,655	–	–	(3,869)	(5,473)
Property, plant and equipment (difference between tax and accounting values)	(12,856)	10,052	–	–	(73,018)	(75,822)
Intangible assets (difference between tax and accounting values)	(167)	167	–	–	–	-
Allowance for inventories	2,054	1,118	–	–	–	3,172
Other	1,199	3,415	–	–	–	4,614
Total temporary differences	**18,550**	**29,158**	**23,843**	**(1,200)**	**(49,888)**	**20,463**
Deferred income tax, net	**3,503**	**1,427**	**3,577**	**(180)**	**(6,062)**	**2,265**

The income tax can be reconciled to the theoretical amount, which would be calculated by applying the basic income tax rate to the Group's profit before tax as follows:

	Group	
	Financial year ended	
	30 June 2014	30 June 2013
Profit before tax	82,886	101,105
Income tax expenses, applying the statutory rate in Lithuania (15%)	12,433	15,166
Effect of different tax rates in Estonia, Denmark and the Republic of Ukraine, 5% tax rate for the entities engaged in agricultural activities (Note 2.22.)	(464)	(709)
Utilization of previously unrecognized deferred tax asset	(3,577)	–
Income tax correction for prior periods	425	(127)
Temporary differences for which no deferred taxes were recognised	430	338
Permanent differences*	(7,983)	(3,993)
Effect of changes in foreign exchange rates	–	(68)
Total income tax (income) expenses	1,264	10,607

** As at 30 June 2014 and 2013 permanent differences mainly exists due to the bargain purchases of subsidiaries, gain on disposal of subsidiary (see Note 3) and write off of liabilities (Note 26).*

29. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to the equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The weighted average number of ordinary shares for the years ended 30 June 2014 and 30 June 2013 was as follows:

Calculation of weighted average for the year ended 30 June 2014	Number of shares	Par value (LTL)	Issued/365 (days)	Weighted average
Shares issued as at 30 June 2013	158,149,426	1	365/365	158,149,426
Shares issued as at 30 June 2014	158,149,426			158,149,426

Calculation of weighted average for the year ended 30 June 2013	Number of shares	Par value (LTL)	Issued/365 (days)	Weighted average
Shares issued as at 30 June 2012	158,940,398	1	38/365	16,547,220
Acquisition of own shares 7 August 2012	(1,345)	1	1/365	435,449
Acquisition of own shares 8 August 2012	(655)	1	93/365	40,496,634
Disposal of own shares 9 November 2012	2,000	1	48/365	20,901,751
Acquisition of own shares 27 December 2012	(798,000)	1	18/365	7,798,803
Disposal of own shares 14 January 2013	7,028	1	167/365	72,358,778
Shares issued as at 30 June 2013	158,149,426			158,538,635

The Group does not have any potential shares; therefore basic and diluted earnings per share are the same. Calculation of the basic and diluted earnings per share is presented below:

	Financial year ended	
	30 June 2014	**30 June 2013**
Net profit, attributable to the shareholders of the parent (in LTL thousand)	73,395	90,250
Weighted average number of ordinary shares outstanding for the year	158,149,426	158,538,635
Basic and diluted earnings per share (in LTL)	0.46	0.57

As at 30 October 2010 the shareholders meeting approved the dividends payment policy, according to which during the following three years the Company will distribute to its shareholders up to 20% of the net profit of the Group as dividends annually. For the year ended 30 June 2013 the Company paid LTL 5,994 thousand dividends, or LTL 0.04 per share. The Board of the Company plans to offer to pay LTL 5,000 thousand dividends, or LTL 0.03 per share, for the year ended 30 June 2014.

30. FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT

Credit risk

None of the Group's customers comprise more than 10% of the Group's trade receivables; therefore there is no significant credit risk concentration in the Group.

The Group's procedures are in force to ensure that sales are made to customers with an appropriate credit history and do not exceed an acceptable credit exposure limit. As at 30 June 2014 part of AB Linas Agro trade receivables was insured with the insurance limit equal to equivalent of LTL 39,319 thousand (LTL 60,101 thousand as at 30 June 2013).

The Group does not guarantee obligations of other parties.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, if any, in the statements of financial position. Consequently, the Group considers that its maximum exposure is reflected by the amount of trade, related party and other accounts receivable, net of allowance for doubtful accounts recognised at the reporting date.

30. FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT (CONT'D)

Interest rate risk

The major part of the Group's borrowings is with variable rates, related to LIBOR, EURIBOR and VILIBOR, which creates an interest rate risk. There were no financial instruments designated to manage the exposure to fluctuation in interest rates outstanding as at 30 June 2014 and 30 June 2013.

The sensitivity analysis of the pre-tax profit of the Group, considering that all other variables will remain constant, to possible changes in the interest rates is presented in the table below. There is no direct effect to equity from changes in interest rate.

	Effect on the profit before income tax for the year ended (in LTL thousand)			
	Increase / decrease of basis points	30 June 2014	Increase / decrease of basis points	30 June 2013
EUR	+150	(841)	+150	(520)
EUR	- 30	168	- 50	173
LTL	+150	(1,894)	+150	(1,100)
LTL	-30	379	-150	1,100
USD	+150	(67)	+150	–
USD	- 30	13	- 50	–

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its commitments at a given date in accordance with its strategic plans. The Group's liquidity (total current assets / total current liabilities) and quick ((total current assets – crops, current portion of animals and livestock and inventories) / total current liabilities) ratios as at 30 June 2014 were 1.63 and 0.93, respectively (as at 30 June 2013 1.76 and 1.11, respectively).

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (scheduled payments including interest).

Group	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	Total
Non-current borrowings	7,657	3,573	10,239	8,470	23,497	1,564	55,000
Lease liabilities	–	681	2,000	2,521	2,450	869	8,521
Current borrowings	57,323	49,046	41,174	–	–	–	147,543
Other non-current liabilities	–	–	–	766	204	263	1,233
Derivative financial instruments	–	2,790	–	–	–	–	2,790
Current trade payables	7,175	67,139	21,739	–	–	–	96,053
Payables to related parties	212	2,989	–	–	–	–	3,201
Other liabilities	191	1,902	3,237	–	–	–	5,330
Balance as at 30 June 2013	**72,558**	**128,120**	**78,389**	**11,757**	**26,151**	**2,696**	**319,671**
Non-current borrowings	–	6,228	18,688	26,542	72,817	2,476	126,751
Lease liabilities	–	527	2,519	2,431	2,411	1,753	9,641
Current borrowings	21,201	186,688	11,114	–	–	–	219,003
Other non-current liabilities	–	–	–	1,214	17	10	1,241
Derivative financial instruments	–	870	–	–	–	–	870
Current trade payables	3,200	72,657	35,335	–	–	–	111,192
Payables to related parties	–	7,458	–	–	–	–	7,458
Other liabilities	296	1,614	469	–	–	–	2,379
Balance as at 30 June 2014	**24,697**	**276,042**	**68,125**	**30,187**	**75,245**	**4,239**	**478,535**

30. FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT (CONT'D)

Liquidity risk (cont'd)

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments (scheduled payments including interest).

Company	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	Total
Non-current borrowings from related parties	–	28	8,312	–	–	–	8,340
Non-current payable to related parties	–	–	–	–	–	258	258
Current trade payables	–	–	1,500	–	–	–	1,500
Other liabilities	–	240	–	–	–	–	240
Balance as at 30 June 2013	**–**	**268**	**9,812**	**–**	**–**	**258**	**10,338**
Non-current borrowings	–	2,571	2,805	5,240	12,531	–	23,147
Current borrowings from related parties	–	–	5,734	–	–	–	5,734
Non-current payable to related parties	–	–	–	–	–	170	170
Current trade payables	–	7	–	–	–	–	7
Payables to related parties	–	10	2,798	–	–	–	2,808
Other liabilities	–	110	–	–	–	–	110
Balance as at 30 June 2014	**–**	**2,698**	**11,337**	**5,240**	**12,531**	**170**	**31,976**

Foreign exchange risk

Major currency risks of the Group occur due to the fact that the Group borrows foreign currency denominated funds as well as is involved in imports and exports. The Group's policy is to match cash flows arising from highly probable future sales and purchases in each foreign currency. When the Group opens a position in USD (i.e., goods are bought for USD and sold for EUR or vice versa), it manages USD exposure by changing positions in its credit line, i.e., buys or sells USD to close the open position.

The major part of the Group's monetary assets and liabilities as at 30 June 2014 and 30 June 2013 are denominated in LTL or EUR, to which LTL is pegged, consequently the management of the Group believes that foreign exchange risk on EUR is insignificant. The Group used financial derivatives to manage the USD foreign currency exchange risk.

Monetary assets and liabilities stated in various currencies as at 30 June 2014 and 30 June 2013 were as follows (LTL equivalent):

Group	As at 30 June 2014		As at 30 June 2013	
	Assets	**Liabilities**	**Assets**	**Liabilities**
LTL	220,700	186,552	205,432	135,380
EUR	143,823	304,555	126,949	208,327
USD	13,223	25,617	21,229	6,382
DKK	1,817	3,188	2,289	3,376
LVL	–	–	4,749	5,053
PLN	3,316	188	4,827	97
Other currencies	1	–	1	–
	382,880	520,100	365,476	358,615

30. FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT (CONT'D)

Foreign exchange risk (cont'd)

The following table demonstrates the sensitivity to a reasonably possible change in respect of currency exchange rate, with all other variables held constant of the Group's profit before tax (due to change in the fair value of monetary assets and liabilities). There is no direct effect to equity from changes in currency exchange rates.

		Effect on the profit before income tax for the year ended (in LTL thousand)	
	Increase/ decrease in exchange rate	**30 June 2014**	**30 June 2013**
USD	+ 15.00%	(1,859)	2,227
USD	- 15.00%	1,859	(2,227)
PLN	+ 15.00%	469	710
PLN	- 15.00%	(469)	(710)

Sensitivity to a reasonable possible change of LVL and DKK is not disclosed as it is not significant to the financial statements.

Financial risk, arising from biological assets, management strategy

The Group is engaged in wholesale trade of milk, therefore, is exposed to risks arising from changes in milk prices. The Group's wholesale agreements for milk do not represent financial instruments but represent a significant price risk. The Group does not anticipate that milk prices will be in prolonged decline in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of the decline in milk prices. The Group reviews its outlook for milk prices regularly in considering the need for active risk management.

Market price risk

The Group is exposed to the market price risk which is managed with the hedge accounting described in Note 15.

Fair value of financial instruments

The Group's principal financial instruments not carried at fair value are trade, related party and other accounts receivable, trade, related party and other payables, non-current and current borrowings.

Fair value is defined as disclosed in Note 2.27. Fair values of assets and liabilities are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The carrying amounts of the Group's financial assets and liabilities (which are not carried at fair value) approximate fair value and are classified as level 3 according to the fair value hierarchy described in the Note 2.27.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

1. The carrying amount of trade, related party and other accounts receivable, current trade, related party and other accounts payable and current borrowings approximates fair value (level 3).
2. The fair value of non-current debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The fair value of non-current borrowings with variable and fixed interest rates approximates their carrying amounts (level 3).

Capital management

For capital management purposes the Group's capital is equal to equity in the statement of financial position amounting to LTL 515,508 thousand as at 30 June 2014 (LTL 437,122 thousand as at 30 June 2013).

The primary objective of the Group's capital management is to ensure that it maintains a strong creditworthiness and healthy capital ratios in order to support its business and maximise shareholder value. The Group holds high capital for possible future expansion and further development of the Group.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2014 and 30 June 2013.

30. FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT (CONT'D)

Capital management (cont'd)

The Company and the Group's subsidiaries registered in Lithuania and Estonia are obliged to keep its equity at no less than 50% of its share capital, as imposed by the Laws on Companies of the Republic of Lithuania and the Republic of Estonia. The Company and the Group's subsidiaries registered in Lithuania and Estonia comply with this requirement. The Group's subsidiaries registered in Latvia are obliged to keep its equity at no less than 0, as imposed by the Law on Companies of the Republic of Latvia. The Group's subsidiaries registered in Latvia comply with this requirement, except for SIA PFK TRADER and SIA Linas Agro Graudu Centrs. The Group's management does not expect any negative consequences to the Group and is planning to take actions to mitigate these non-compliances.

The Group and the Company manages capital using a leverage ratio, which is 1 minus total equity divided by total assets of the Group and the Company. The Group's policy is to keep the leverage ratio below 75%.

	Group		**Company**	
	As at 30 June 2014	**As at 30 June 2013**	**As at 30 June 2014**	**As at 30 June 2013**
Total equity	525,143	440,496	334,307	316,546
Total assets	1,074,181	821,387	364,851	326,681
Total equity / Total assets	49%	54%	92%	97%
Leverage ratio	51%	46%	8%	3%

31. COMMITMENTS AND CONTINGENCIES

As at 30 June 2014 the Group is committed to purchase property, plant and equipment for the total amount of LTL 4,994 thousand (LTL 2,826 thousand as at 30 June 2013).

A few Group companies (Biržai district Medeikių ŽŪB, Kėdainiai district Labūnavos ŽŪB and Šakiai district Lukšių ŽŪB) received grants from the European Union and National Paying Agency mostly for acquisition of agricultural heavy duty equipment. Biržų district Medeikių ŽŪB is committed not to discontinue operations related to agricultural up to 2014, Kėdainių district Labūnavos ŽŪB – up to 2015, Šakiai district Lukšių ŽŪB - up to 2015. UAB Linas Agro Grūdų Centras KŪB, Karčemos kooperatinė bendrovė received grants from the European Union and National Paying Agency (Lithuania) for grain handling and storage facility upgrade. UAB Linas Agro Grūdų Centras KŪB is committed not to discontinue operations related to preparation and warehousing of grains for trade agriculture up to 2018, Karčemos kooperatinė bendrovė – up to 2017.

SIA Lielzeltini, AS Putnu fabrika Kekava, SIA Cerova and SIA Broileks received grants from the European Union and Rural Support Service (Latvia) for poultry farm, feedstuffs production and storages upgrade. SIA Lielzeltini is committed not to discontinue broiler breeding, slaughtering and sale of products, feedstuffs up to 2016, AS Putnu fabrika Kekava – up to 2017, SIA Cerova – up to 2018, SIA Broileks – up to 2016.

In case of non-compliance with the requirements the Group companies will have to return funds received to the state of Lithuania amounting to LTL 23,786 thousand as at 30 June 2014 (LTL 15,225 thousand as at 30 June 2013).

In July 2013 the Group company Linas Agro A/S received a ruling from the Danish Tax Inspection (hereafter- SKAT) stating that SKAT has changed the companies tax assessments for the income year 2007/2009 whereby total taxable payment for period has been increased by LTL 509 thousand (DKK 1,100 thousand). The changes relate to non-approved deduction for inter-group services. The company's management does not concur with SKAT's assessment and the decision is appealed. Accordingly, the Group did not recognize any tax liability or any interest as at 30 June 2014 and 30 June 2013.

In addition Linas Agro A/S received a ruling from SKAT regarding the valuation of customer base which was transferred to the Group company, AB Linas Agro in the year 2011/2012. The decision has a negative effect on the total tax loss carry forward amount which is incorporated into calculation of taxable income for the year 2012/2013. SKAT has ruled that the value of the customer base should have been LTL 16,853 thousand (DKK 36,414 thousand) and not LTL 5,425 thousand (DKK 11,722 thousand) as the value sold in 2011/2012 by Linas Agro A/S to AB Linas Agro. This implies a reduction of the total tax loss carry forward in the amount of LTL 11,428 thousand (DKK 24,692 thousand) (tax value LTL 2,857 thousand (DKK 6,173 thousand)). Deferred tax asset from the tax loss carry forward from this amount is not recognized by Linas Agro A/S. Linas Agro A/S management does not agree with SKAT and appealed the decision.

During the financial year ended 30 June 2014 the management of the Group initiated actions to reach the agreement between Lithuanian and Danish tax authorities. As at financial statements preparation date there were no decisions reached as the investigation might last up to two years.

31. COMMITMENTS AND CONTINGENCIES (CONT'D)

As at 30 June 2014 the balance of guarantees and warranties issued by the Company to the banks for the controlled companies (directly and indirectly controlled subsidiaries) amounted to LTL 76,493 thousand (LTL 6,708 thousand as at 30 June 2013).
The Company's guarantees are issued for the loans granted to these companies. The Company is obliged to repay the companies' liabilities to banks in full, if the subsidiaries are not able to do it themselves. The management of the Group believes that the subsidiaries on behalf of which guarantees and warranties were issued will meet their liabilities to the creditors, therefore, no provisions in respect of these guarantees were accounted for in the financial statements as at 30 June 2014 and 30 June 2013.

32. RELATED PARTIES TRANSACTIONS

The parties are considered related when one party has the possibility to control the other or have significant influence over the other party in making financial and operating decisions.

The related parties of the Company and Group for the years ended 30 June 2014 and 30 June 2013 were as follows:

Members of the board of the Company:

Darius Zubas (chairman of the board, ultimate controlling shareholder);
Vytautas Šidlauskas;
Dainius Pilkauskas;
Arūnas Zubas;
Andrius Pranckevičius;
Tomas Tumėnas;
Artūras Pribušauskas (since 25 October 2013).

Subsidiaries: List provided in Note 3.

Akola ApS group companies:

Akola ApS (Denmark) (controlling shareholder);
UAB MESTILLA (same ultimate controlling shareholders).

UAB Baltic Fund Investments (Tomas Tumėnas is a director of this company).

The Group's transactions with related parties in 12 month period ended 30 June 2014 and 30 June 2013 were as follows:

2014			**Receivables**				
	Purchases	**Sales**	**Trade receivables**	**Current loans receivable**	**Non-current loans receivable**	**Payables**	**Current payable loans**
Akola ApS group companies	24,096	57,941	25	888	–	7,458	–
Members of the board	–	29	1	–	1,198	–	–
	24,096	57,970	26	888	1,198	7,458	–

2013	**Purchases**	**Sales**		**Receivables**		**Payables**
			Trade receivables	**Current loans receivable**	**Non-current loans receivable**	
Members of the board	20*	–	–	–	–	–
Joint ventures	6,886	392	–	–	–	–
Associates	9,534	77	–	–	–	–
Akola ApS group companies	16,682	120,120	14,165	1,350	2,540	3,201
	33,122	120,589	14,165	1,350	2,540	3,201

**Purchases from members of the board comprise of interest paid.*

32. RELATED PARTIES TRANSACTIONS (CONT'D)

The Company's transactions with related parties in the years ended 30 June 2014 and 30 June 2013 were as follows:

2014	Purchases	Income	Receivables		Prepayments for financial assets	Payables	Non-current payables	Current loans received
			Non-current loans receivable	Current loans receivable				
Akola ApS group companies	–	–	–	–	–	–	–	–
Subsidiaries	640	26,736	18,941	12,945	9,736	2,808	170	5,683
	640	26,736	18,941	12,945	9,736	2,808	170	5,683

2013	Purchases	Income	Receivables		Prepayments for financial assets	Payables	Non-current payables	Current loans received
			Trade receivables	Current loans receivable				
Akola ApS group companies	–	–	–	–	–	–	–	–
Subsidiaries	203	5,036	–	38,346	21,153	12	167	8,227
Associates/joint ventures	–	–	–	–	–	9	–	–
	203	5,036	–	38,346	21,153	21	167	8,227

As at 30 June 2014 and as at 30 June 2013 interest rates of the Group for non-current loans receivable from related parties are equal to 4% + 4.2% and 3 month EURIBOR + 2.45% margin, interest rates of the Group for current loans receivable from related parties are equal to 3 month EURIBOR + 2.45% and 3 month EURIBOR + 4.2% margin.

Transactions with related parties include sales and purchases of goods and services, sales and purchases of property, plant and equipment as well as financing transactions in the ordinary course of business and on terms equivalent to arm's length transactions.

There were no guarantees or pledges related to the Group's payables to or receivables from related parties. Receivables and payables from / to related parties will be settled in cash or offset with the payables / receivables from / to respective related parties.

Terms and conditions of the financial assets and liabilities:

- Receivables from related parties are non-interest bearing and are normally settled on 30-day terms.
- Payables to related parties are non-interest bearing and are normally settled on 30-90-day terms.
- Interest payable is normally settled at the end of the loan term.

The Group's receivables from related parties were nor due neither impaired as at 30 June 2014 and 30 June 2013.

Remuneration of the management and other payments

The Group's management consists of the Company's board of directors and directors of each of the company in the Group. The Group's management remuneration amounted to LTL 11,230 thousand (including LTL 3,898 thousand of bonuses to the board of directors of AB Linas Agro) for the year ended 30 June 2014 (LTL 11,565 thousand (including LTL 4,610 thousand of bonuses to the board of directors of AB Linas Agro) for the year ended 30 June 2013). For the year ended 30 June 2014 the Group's management received LTL 911 thousand dividends from the Company (for the year ended 30 June 2013 the Group's management received LTL 545 thousand dividends from the Company).

For the year ended 30 June 2014 the Group's management has also received LTL 8 thousand of rent payments (LTL 17 thousand of rent payments for the year ended 30 June 2013).

The Company's management consists of the board of directors and a managing director. For the year ended 30 June 2014 the Company's management remuneration amounted to LTL 15 thousand (LTL 15 thousand for the year ended 30 June 2013).

As at 30 June 2013 Group borrowed from subsidiary company's management LTL 3,610 thousand, interest rate is equal 6%.

No other payments or property transfers to/from the management were made or accrued; no other loans or guarantees were received / granted in the years ended 30 June 2014.

33. SUBSEQUENT EVENTS

Group

On 1 July 2014 AS Putnu Fabrika Kekava increased the share capital from EUR 12,769 thousand to EUR 18,947 thousand by capitalization of payable amount to AB Linas Agro Group, SIA Lielzeltini. The Group increased its ownership from 84.36% to 89.46%.

On 9 July 2014 AB SEB bankas increased credit line allocated to finance the working capital need of AB Linas Agro by LTL 28 million.

On 28 July 2014 SEB and DNB banks in Latvia granted the credit line for working capital need of SIA Linas Agro by 30 million euros.

On 6 August 2014, the President of the Russian Federation enacted an import embargo on most of agricultural produce imported to Russia from the European Union, the United States, Australia, Canada and Norway. The import embargo has influence on milk sales price and indirectly to the fair value of milking cows. On 30 June 2014 the Group management evaluated the expected decrease of milk sales price in measurement of the fair value of milking cows, since there were disruptions on milk export to the Russian Federation even before announcement of the embargo.
On 20 August 2014 Linas Agro Konsultacijos UAB received a loan from DNB Bankas AB amounting to EUR 1,448 thousand. Untill the date of the financial statements Linas Agro Konsultacijos UAB received EUR 648 thouand from DNB Bankas AB and granted this amount to the Company.

On 22 September 2014 the Group completed Panevėžys district Ėriškių ŽŪB sale transaction.

Company

On 1 July 2014 the Company increased the share capital of its subsidiary AS Putnu fabrika Kekava in amount LTL 9,736 thousand by capitalizing loans granted and payable amounts.

Republic of Lithuania was accepted in Eurozone starting from 1 January 2015, therefore functional currency of the Company will change from Lithuanian litas to euro. The rate of 3.4528 Litas for 1 euro will be used when translating balances in litas to euro which was irrevocably approved by the EU Council.

On 26 August 2014 the Board of the Company decided to grant a three years term loan amounting to EUR 800 thousand to the shareholder of the Company Akola Aps.

On 27 August 2014 the Company granted a loan to Linas Agro Konsultacijos UAB amounting to LTL 3,000 thousand.