

# BAIP GRUPË UAB

INTERIM CONSOLIDATED AND SEPARATE  
FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2014  
PREPARED ACCORDING TO  
INTERNATIONAL FINANCIAL REPORTING STANDARDS  
AS ADOPTED BY THE EUROPEAN UNION

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## GENERAL INFORMATION

### Board of Directors

Mr. Kazimieras Tonkūnas (Chairman of the Board of Directors)  
Mr. Alvydas Banys  
Mr. Vytautas Plunksnis  
Mr. Nerijus Drobavičius  
Mr. Gytis Umantas

### Director

Mr. Kazimieras Tonkūnas

### Address of the head office and company code

A. Juozapavičiaus St 6  
Vilnius,  
Lithuania  
Company code: 301318539

### Banks

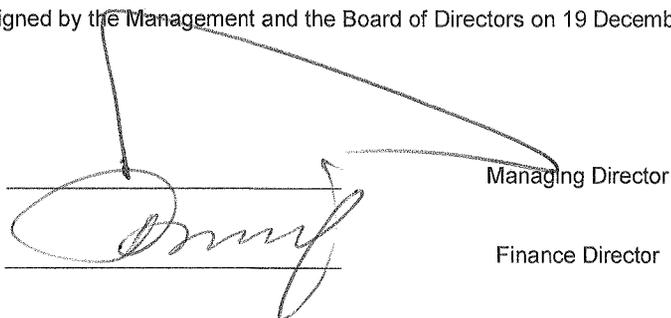
DNB bank AB  
Finasta bank AB  
SEB bank AB

The financial statements were approved and signed by the Management and the Board of Directors on 19 December 2014.

Management:

Kazimieras Tonkūnas

Ramutė Ribinskienė



Managing Director

Finance Director

According to the Law on Companies of Republic of Lithuania, the interim financial statements prepared by the Management are authorised by the General Shareholders' meeting. The shareholders hold the power not to approve the financial statements and the right to request new financial statements to be prepared.

**Statement of comprehensive income**

	Notes	The Group		The Company	
		January-September 2014	January-September 2013	January-September 2014	January-September 2013
<b>Continuing operations</b>					
Sales revenue	4	40.302	31.084	694	444
Cost of sales	5	(29.093)	(21.630)	-	(3)
<b>Gross profit</b>		<b>11.209</b>	<b>9.454</b>	<b>694</b>	<b>441</b>
Operating costs	6	(9.113)	(7.948)	(996)	(705)
Other operating revenue/costs		282	(101)	2.526	146
<b>Operating profit</b>		<b>2.378</b>	<b>1.405</b>	<b>2.224</b>	<b>(118)</b>
Revenue from financial activities	7	76	-	86	304
Costs from financial activities	8	(1.062)	(1.087)	(1.105)	(1.110)
<b>Profit for the reporting period before tax</b>		<b>1.392</b>	<b>318</b>	<b>1.205</b>	<b>(924)</b>
Income tax (costs)	9	(201)	(6)	-	(1)
<b>Net profit for the reporting period</b>		<b>1.191</b>	<b>312</b>	<b>1.205</b>	<b>(925)</b>
Attributable to:					
Shareholders of the parent company		1.253	263	-	-
Non-controlling interests		(62)	49	-	-
		<b>1.191</b>	<b>312</b>	<b>1.205</b>	<b>(925)</b>
<b>Other comprehensive income (loss)</b>					
<i>Other comprehensive income (loss) to be reclassified to profit or loss</i>					
Exchange differences on translation of foreign operations		30	(83)	-	-
<b>Other net comprehensive income (loss) to be reclassified to profit or loss</b>		<b>30</b>	<b>(83)</b>	-	-
<b>Other comprehensive income (loss) for the period, net of tax</b>		<b>30</b>	<b>(83)</b>	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		<b>1.221</b>	<b>229</b>	<b>1.205</b>	<b>(925)</b>
Attributable to:					
Shareholders of the parent company		1.287	207	-	-
Non-controlling interests		(66)	22	-	-
		<b>1.221</b>	<b>229</b>	<b>1.205</b>	<b>(925)</b>
<b>Other information (non-IFRS indicators):</b>					
Operating profit (above)		2.378	1.405		
<b>To add: Depreciation and amortisation (Notes 5 and 6) amount</b>		<b>804</b>	<b>1.135</b>		
<b>To add: Other eliminating amounts</b>		<b>(167)</b>	<b>(47)</b>		
<b>EBITDA (excluding payment in shares)</b>		<b>3.015</b>	<b>2.493</b>		

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

**Statements of financial position**

	Notes	The Group		The Company	
		As at 30 September 2014	As at 31 December 2013	As at 30 September 2014	As at 31 December 2013
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	10	2.057	2.087	16	12
Goodwill	3	12.150	12.150	-	-
Non-current intangible assets	11	1.030	1.231	-	-
Investments into subsidiaries		-	-	14.948	14.948
Non-current financial assets	14	-	665	-	-
Deferred income tax asset	9	358	70	2	194
<b>Total non-current assets</b>		<b>15.595</b>	<b>16.203</b>	<b>14.966</b>	<b>15.154</b>
<b>Current assets</b>					
Inventories	13	1.290	809	-	-
Trade and other amounts receivable	14	18.318	11.733	3.079	709
Prepaid income tax		25	405	-	-
Prepayments and deferred charges		589	149	39	-
Other current assets	16	1.364	2.588	-	-
Cash and cash equivalents	17	309	1.117	1	50
<b>Total current assets</b>		<b>21.895</b>	<b>16.801</b>	<b>3.119</b>	<b>759</b>
<b>Total assets</b>		<b>37.490</b>	<b>33.004</b>	<b>18.085</b>	<b>15.913</b>

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Statements of financial position (cont'd)

	Notes	The Group		The Company	
		As at 30 September 2014	As at 31 December 2013	As at 30 September 2014	As at 31 December 2013
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
<b>Equity attributable to equity holders of the parent</b>					
Share capital		5.000	5.000	5.000	5.000
Reserves	18	1.198	1.164	1.011	1.011
Retained earnings (loss)		2.377	1.124	(2.498)	(3.703)
		<b>8.575</b>	<b>7.288</b>	<b>3.513</b>	<b>2.308</b>
Non-controlling interest		544	610	-	-
<b>Total equity</b>		<b>9.119</b>	<b>7.898</b>	<b>3.513</b>	<b>2.308</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Non-current borrowings	19	1.271	950	-	-
Financial lease liabilities	20	37	46	-	-
EU grants		167	46	-	-
Deferred income tax liability	9	41	74	-	-
<b>Total non-current liabilities</b>		<b>1.516</b>	<b>1.116</b>	-	-
<b>Current liabilities</b>					
Current portion of non-current borrowings	19	12.396	12.614	14.347	13.478
Current portion of financial lease liabilities	20	12	18	-	-
Trade payables	21	11.083	6.819	74	24
Income tax payable		574	46	-	-
Advances received		623	1.012	-	5
Liabilities related to employment relationships		1.790	1.570	100	88
Other non-current liabilities	22	377	1.911	51	10
<b>Total non-current liabilities</b>		<b>26.855</b>	<b>23.990</b>	<b>14.572</b>	<b>13.605</b>
<b>Total liabilities</b>		<b>28.371</b>	<b>25.106</b>	<b>14.572</b>	<b>13.605</b>
<b>Total equity and liabilities</b>		<b>37.490</b>	<b>33.004</b>	<b>18.085</b>	<b>15.913</b>

(the end)

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

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**Statements of changes in equity**

	Equity attributable to equity holders of the parent							
	Share capital	Reserve for acquisition of own shares	Foreign currency translation reserve	Reserve of purchase of own shares	Retained earnings (loss)	Total	Non-controlling interest	Total equity
<b>Balance as at 31 December 2012</b>	5.000	200	43	1.109	(252)	6.099	1.083	7.182
Total comprehensive income for the period	-	-	-	-	263	263	49	312
Currency translation differences	-	-	(56)	-	-	(56)	(27)	(83)
<b>Total comprehensive income for the period</b>	-	-	(56)	-	263	207	22	229
Dividends to non-controlling interests of subsidiaries	-	-	-	-	-	-	(311)	(311)
<b>Total contributions by and distributions to owners of the Group</b>	-	-	-	-	-	-	(311)	(311)
Acquisition of subsidiary	-	-	-	-	-	-	7	7
Acquisition of the non-controlling interest	-	-	-	-	(6)	(6)	(194)	(200)
<b>Total transactions with owners of the Group, recognised directly in equity</b>	-	-	-	-	(6)	(6)	(187)	(193)
<b>Balance as at 30 September 2013</b>	5.000	200	(14)	1.109	5	6.300	607	6.907
<b>Balance as at 31 December 2013</b>	5.000	200	(47)	1.011	1.124	7.288	610	7.898
Total comprehensive income during the period	-	-	-	-	1.253	1.253	(62)	1.191
Currency translation differences	-	-	34	-	-	34	(4)	30
<b>Total comprehensive income during the period</b>	-	-	34	-	1.253	1.287	(66)	1.221
<b>Balance as at 30 September 2014</b>	5.000	200	(13)	1.011	2.377	8.575	544	9.119

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**Statements of changes in equity (cont'd)**

The Company	Notes	Share capital	Reserve for acquisition of own shares	Retained earnings (loss)	Total
<b>Balance as at 31 December 2012</b>		5.000	1.108	(2.732)	3.376
Total comprehensive (loss) during the period		-	-	(925)	(925)
<b>Balance as at 30 September 2013</b>		5.000	1.108	(3.657)	2.451
<b>Balance as at 31 December 2013</b>		5.000	1.011	(3.703)	2.308
Total comprehensive income during the period		-	-	1.205	1.205
<b>Balance as at 30 September 2014</b>		5.000	1.011	(2.498)	3.513

*(the end)*

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

**Statements of cash flows**

	Notes	The Group		The Company	
		January- September 2014	January- September 2013	January- September 2014	January- September 2013
<b>Cash flows from operating activities</b>					
Profit (loss) for the reporting period		1.191	312	1.205	(925)
Non-cash flows:					
Depreciation and amortisation		804	1.135	4	2
Loss (gain) on disposal of property, plant and equipment		-	-	-	-
Interest income		(70)	-	(86)	(297)
Interest expenses		1.004	1.045	1.105	1.110
Loss (profit) from currency Exchange differences		(6)	7	-	(7)
Income tax expenses	9	201	6	-	1
Other		(116)	(5)	(2.115)	134
		<u>3.008</u>	<u>2.500</u>	<u>113</u>	<u>18</u>
Working capital adjustments:					
Decrease (increase) in inventories		(481)	(259)	-	-
Decrease (increase) in trade and other receivables		(5.920)	(3.430)	(1.331)	(2.866)
Decrease (increase) in other current assets		784	530	(39)	-
Increase (decrease) in trade payables		4.264	(1.422)	50	37
Increase (decrease) in other current liabilities		(1.244)	(1.802)	48	(166)
<b>Cash flows from operating activities</b>		<b>411</b>	<b>(3.883)</b>	<b>(1.159)</b>	<b>(2.927)</b>
Income tax (paid)		-	(152)	-	(1)
<b>Cash flows from operating activities</b>		<b>411</b>	<b>(4.035)</b>	<b>(1.159)</b>	<b>(2.928)</b>
<b>Cash flows from investing activities</b>					
Acquisition of non-current assets (except investment properties)		(373)	(506)	(8)	(9)
Increase of share capital of subsidiaries		-	-	-	(10)
Money market fund units		-	18	-	-
Dividends received		-	-	1.268	-
Interest received		70	-	86	297
Acquisition and establishment of subsidiaries, less the balance of cash acquired	3	-	(5)	-	(11)
<b>Net cash flows from investing activities</b>		<b>(303)</b>	<b>(493)</b>	<b>1.346</b>	<b>267</b>
<b>Cash flows from financing activities</b>					
Proceeds from loans/ (Repayment) of loans and interest		(901)	2.757	(236)	2.571
Interest paid		-	-	-	-
Finance lease payments		(15)	(107)	-	-
Dividends		-	(311)	-	-
Acquisition of non-controlling interest		-	(200)	-	-
<b>Net cash flows from financing activities</b>		<b>(916)</b>	<b>2.139</b>	<b>(236)</b>	<b>2.571</b>
<b>Impact of currency exchange on cash and cash equivalents</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(808)</b>	<b>(2.389)</b>	<b>(49)</b>	<b>(90)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	17	<b>1.117</b>	<b>3.548</b>	<b>50</b>	<b>91</b>
<b>Cash and cash equivalents at the end of the period</b>	17	<b>309</b>	<b>1.159</b>	<b>1</b>	<b>1</b>

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

## Notes to the financial statements

### 1. General information

BAIP GRUPĖ UAB (hereinafter – the Company) is a public limited liability company registered in the Republic of Lithuania on 28

June 2007. The address of its registered office is: A.Juozapavičiaus St 6, Vilnius, Lithuania.

The Company is incorporated and domiciled in Lithuania. The Company is one of the major information technology companies in Lithuania whose primary objective is to invest into information technology (IT) market of Lithuania by getting together professional specialized IT companies and/or other organized teams of professionals from this field that can create together and individually cost-efficient solutions with high level of reliability and functionality and to gain ground in the market by providing services to major clients of national importance.

As at 30 September 2014 and 31 December 2013 the shareholders of the Company were the following:

	30 September 2014		31 December 2013	
	Number of votes held	Votes (%)	Number of votes held	Votes (%)
Invalda LT AB	-	-	4.000.000	80
AB INVL Technology	4.000.000	80	-	-
Other shareholders	1.000.000	20	1.000.000	20
<b>Total</b>	<b>5.000.000</b>	<b>100</b>	<b>5.000.000</b>	<b>100</b>

All the shares of the Company are ordinary shares with the par value of LTL 1 each and were fully paid as at 30 September 2014 and 31 December 2013. Subsidiaries did not hold any shares of the Company as at 30 September 2014 and 31 December 2013. The Company did not hold own shares.

As at 30 September 2014 the number of employees of the Group was 150 (as at 31 December 2013 –148).

The financial statements were approved and signed by the Company's Management and the Board of Directors on 19 December 2014.

According to the Law on Companies of Republic of Lithuania, the interim financial statements prepared by the Management are authorised by the General Shareholders' meeting. The shareholders hold the power not to approve the financial statements and the right to request new financial statements to be prepared.

The Group consists of the Company and the following directly and indirectly owned subsidiaries (hereinafter – the Group):

Company (the year of acquisition)	Registration country	30 September 2014		31 December 2013		Main activities
		Share of the stock held by the Group (%)	Size of investment (acquisition cost)	Share of the stock held by the Group (%)	Size of investment (acquisition cost)	
Informatikos pasaulis UAB (2007)	Lithuania	100	941	100	941	Information technology solutions
Vitma UAB (2007)	Lithuania	100	8.452	100	8.452	Information technology solutions
BAIP* UAB (2007)	Lithuania	100	4.971	100	4.971	Information technology solutions
Acena UAB (2008)	Lithuania	100	162	100	162	Information technology solutions
Norway Registers Development AS (2011)	Norway	100	4.298	100	4.298	Information technology solutions
NRD* UAB (2011) Norway Registers Development East Africa Ltd (2011)	Lithuania Tanzania	76,50 70	1.046 11	76,50 70	1.046 11	Information technology solutions
NRD CS UAB (2013)	Lithuania	100	10	100	10	Information technology solutions
Less: indirect ownership Investments into subsidiaries (Company)			(4.943)		(4.943)	
			<u>14.948</u>		<u>14.948</u>	

\* – indirectly managed subsidiaries

## 2. Summary of significant accounting policies

The principal accounting policies applied in preparing the Group's and the Company's interim financial statements as at 30 September 2014 are as follows:

### 2.1. Basis of preparation

#### Statement of compliance

The financial statements of the Company and the consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (hereinafter the EU).

These financial statements have been prepared on a historical cost basis. The financial statements are presented in thousands of Litas (LTL) and all values are rounded to the nearest thousand except when otherwise indicated.

#### Adoption of new and/or changed IFRSs and IFRIC interpretations

The Group and the Company has adopted the new and amended IFRS and IFRIC interpretations as of 1 January 2014:

##### *IFRS 10 "Consolidated Financial Statements"*

This Standard replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee. Definition of this concept is supplemented with various application guidelines. The adoption of this amendment did not lead to any changes in the Group's and the Company's interim financial statements as at 30 September 2014.

##### *IFRS 11 "Joint Arrangements"*

The Standard introduces new accounting requirements for joint arrangements, replacing IAS 31 Interests in Joint Ventures. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Additionally, IFRS 11 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets. The adoption of this amendment did not lead to any changes in the Group's and the Company's interim financial statements as at 30 September 2014.

##### *IFRS 12 "Disclosures of Interests in Other Entities"*

The Standard will apply to companies with ownership interest in subsidiary, joint arrangement, associated company or unconsolidated structured entity. IFRS 12 provides mandatory disclosures for companies which apply two new standards: IFRS 10 "Consolidated Financial Statements" and IFRS 11 "Joint Arrangements". This Standard replaces requirements currently applied according to IAS 28 "Investments in Associates and Joint Ventures". The objective of IFRS 12 is to require information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities. In order to meet these objectives the new standard requires disclosures of information in several areas, including significant decisions and assumptions made while determining whether an entity controls, jointly controls or has significant effect on its interest in other entities, also to disclose additional information regarding the portion of non-controlling interest in the company's activities and cash flows, summarised information of subsidiaries with non-controlling interest and thorough information on the portion of unconsolidated structured entities. The Group and the Company is evaluating the impact of changes to the annual financial statements.

##### *IAS 27 "Separate Financial Statements"*

The amendments of this Standard reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. Guidelines related to control and consolidated financial statements were replaced by IFRS 10 "Consolidated Financial Statements". The Group and Company is evaluating the impact of changes to the annual financial statements.

##### *IAS 28 "Investments in Associates and Joint Ventures"*

This amendment was made according to the Boards project regarding joint companies. When considering the project, the Board decided to include accounting of joint companies by applying equity method to IAS 28 as this method is applicable to both joint companies and associated companies. Except for this exception, other guidelines remained unchanged. The adoption of this amendment did not lead to any changes in the Group's and the Company's interim financial statements as at 30 September 2014.

##### *IAS 32 "Financial instruments: presentation" – Offsetting Financial Assets and Financial Liabilities*

The amendments provide clarifications on the application of the offsetting rules and focus on four main areas (a) the meaning of "currently has a legally enforceable right of set-off"; (b) the application of simultaneous realisation and settlement; (c) the offsetting of collateral amounts; (d) the unit of account for applying the offsetting requirements. The adoption of this amendment did not lead to any changes in the Group's and the Company's interim financial statements as at 30 September 2014.

## **2. Summary of significant accounting policies (cont'd)**

### **2.1. Basis of preparation (cont'd)**

#### *Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition Guidance*

The amendments are intended to provide additional transition relief provided in IFRS 10 “Consolidated Financial Statements”. Entities which apply IFRS 10 should evaluate control as at the first day of the annual period during which IFRS 10 is applied if the conclusion related to consolidation under IFRS 10 differs from clarification of IAS 27 and SIC 12, data of the latest previous comparative period (i.e. the year 2012 for entities if the financial year corresponds to the calendar year and IFRS 10 is applied starting from 2013) is updated unless it would be impossible to do so for practical reasons. These amendments also provide an additional transition exemption related to IFRS 10, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosures of Interests in Other Entities” with a limitation to provide adjusted comparative information only for the latest previous comparative period. Also, these amendments eliminated the requirement to provide comparative data for disclosed information related to unconsolidated structured entities for the periods until the first application of IFRS 12. The adoption of this amendment did not lead to any changes in the Group's and the Company's interim financial statements as at 30 September 2014.

#### *Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities*

The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the unconsolidated subsidiary. The Group and Company is evaluating the impact of changes to the annual financial statements.

#### *Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting*

The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e. parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The amendments are not relevant to the Group currently, because it has not recognised any hedging instrument. The changes are not relevant to the Group and Company, as the Group and the Company does not have derivative financial instruments.

### **2.2. Basis 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 year as the parent company, using consistent accounting policies.

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions that are recognized in assets, are eliminated in full.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent and is presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between the share of any consideration paid and net carrying value of the acquired assets by the subsidiary is recorded in equity. Gains (losses) on sales to non-controlling interests are also recorded in equity.

Total comprehensive income (losses) within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance from 1 January 2010. Losses absorbed by the parent company prior to 1 January 2010 were not reallocated between non-controlling interests and the parent shareholders.

When the group ceases to have control, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or retained earnings, as appropriate.

## 2. Summary of significant accounting policies (cont'd)

### 2.3. Functional and presentation currency

The consolidated financial statements are prepared in local currency of the Republic of Lithuania, Litas (LTL), and presented in LTL thousand. Litas is the Company's functional and the Group's and the Company's presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency year-end exchange rate. All differences are taken to profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

At the end of each reporting period the assets and liabilities of the foreign subsidiaries are translated into the presentation currency of the Group (LTL) at the year-end exchange rate and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognised in other comprehensive income and accumulated in reserve in equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement as part of the gain or loss on sale.

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

As these financial statements are presented in LTL thousand, individual amounts were rounded. Due to the rounding, totals in the tables may not add up.

### 2.4. Property, plant and equipment

Property, plant and equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment when the cost is incurred, if the recognition criteria are met. Replaced parts are written off.

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

Depreciation is calculated using the straight-line method over the following estimated useful lives.

Buildings	10–66 years
Machinery and equipment	4–10 years
Vehicles	4–10 years
Other non-current assets	2–8 years

The asset residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end to ensure that they are consistent with the expected pattern of economic benefits from items in property, plant and equipment.

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 income statement within "other income" in the year the asset is derecognised.

## 2. Summary of significant accounting policies (cont'd)

### 2.5. Intangible assets other than goodwill

Intangible assets are measured initially at cost. Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets other than goodwill are assessed to be finite. Intangible assets are amortised using the straight-line method over the best estimate of their useful lives.

#### Contracts and customer relationship

Contracts include information technology solution service contracts acquired during information technology solutions entities acquisition. Customer relationship was recognised during information technology solutions entities acquisition.

Contracts and customer relationship acquired on the acquisition of subsidiaries are capitalised at the fair value established on acquisition and treated as an intangible asset. Following initial recognition, contracts are carried at cost less any accumulated impairment losses. The information technology solution service contracts and customer relationship are amortised during 2–10 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 during 3–4 years.

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

#### Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Other intangible assets are amortised during 3–4 years.

### 2.6. Business combinations and goodwill

The group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred from 1 January 2010 (until that they were included in the acquisition cost). Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is 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. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. In the business combinations, which was incurred prior to 1 January 2010, subsequent adjustments to the contingent consideration were recognised as part of goodwill.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree at the acquisition-date over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

## 2. Summary of significant accounting policies (cont'd)

### 2.6. Business combinations and goodwill (cont'd)

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

represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and is not larger than an operating segment determined in accordance with IFRS 8 Operating Segments.

Where goodwill forms part of a cash generating unit (group of cash generating units) 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.

### 2.7. Impairment of non-financial assets

The Group and the Company 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, the Group and the Company makes an estimate of 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 valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in the income statement within "impairment, write-down and provisions".

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 recognized for the asset in prior years. Such reversal is recognised in the income statement. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

The following criteria are also applied in assessing impairment of specific assets:

#### Goodwill

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill as at 31 December.

## 2. Summary of significant accounting policies (cont'd)

### 2.8. Financial assets

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the purpose for which the financial assets were acquired. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial asset or financial liability not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group determines the classification of its financial assets at initial recognition.

All regular way purchases and sales of financial assets are recognised on the settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

#### Financial assets at fair value through profit or loss

The Group classifies its investments in debt and equity securities, and derivatives, as financial assets or financial liabilities at fair value through profit or loss.

This category has two sub-categories: financial assets or financial liabilities held for trading and those designated at fair value through profit or loss at inception.

- (i) Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separable embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.
- (ii) Financial assets designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Group's documented investment strategy. The Group's policy requires the Management Board to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

Gains or losses on financial assets at fair value through profit or loss are recognized in profit and loss.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through amortisation process. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

#### *Fair value*

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; and discounted cash flow analysis.

#### *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

## 2. Summary of significant accounting policies (cont'd)

### 2.9. Impairment of financial assets

#### Assets carried at amortised cost

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) Adverse changes in the payment status of borrowers in the portfolio; and
  - (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group and the Company first assesses whether objective evidence of impairment exists.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss within "impairment, write-down, allowances and provisions".

The Group and the Company assesses whether objective evidence of impairment exists individually for financial assets. When financial asset is assessed as uncollectible and all collateral has been realised or has been transferred to the Group and the Company the impaired asset is derecognised. The objective evidence for that is insolvency proceedings against the debtor is initiated and the debtor has not enough assets to pay to creditors, the debtor could not be found.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss within "impairment, write-down, allowances and provisions", to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision 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 and the Company 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.

#### Available-for-sale financial investments

The Group and the Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group and the Company uses the same criteria as financial assets carried at amortised cost. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income. If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

## **2. Summary of significant accounting policies (cont'd)**

### **2.10. Inventories**

Inventories are initially recorded at acquisition cost. Cost is determined using the first-in, first-out (FIFO) method. Subsequent to initial recognition, inventories are valued at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### **2.11. Trade receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

### **2.12. Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and in current bank account as well as deposit in bank with an original maturity of three months or less.

### **2.13. Financial liabilities**

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The measurement of financial liabilities depends on their classification as follows:

#### Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group and the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

## 2. Summary of significant accounting policies (cont'd)

### 2.14. 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 derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group and the Company retain the right to receive cash flows from the asset, but have assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
- the Group or the Company have transferred their rights to receive cash flows from the asset and either (a) have 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 have transferred control of the asset.

Where the Group and the Company 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 and the Company's continuing involvement in the asset.

In that case, the Group and the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company has retained.

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 and the Company 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 income statement.

### 2.15. Leases

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. A reassessment is made after inception of the lease only if one of the following applies:

- a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c) There is a change in the determination of whether fulfilment is dependent on a specified asset; or
- d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a), c) or d) and at the date of renewal or extension period for scenario b).

#### Financial lease (leasing)

##### *The Group and the Company as a lessee*

Finance leases, which transfer to the Group and the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. 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. Finance charges are reflected in the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group and the Company will obtain ownership by the end of the lease term.

## 2. Summary of significant accounting policies (cont'd)

### 2.15. Leases (cont'd)

If the result of sales and lease back transactions is financial lease, any profit from sales exceeding the book value is not recognised as income immediately. It is postponed and amortised over the lease term.

#### *The Group and the Company as a lessor*

When property is leased under finance leasing, the current value of lease payments is recognised as an amount receivable.

The difference between gross amount receivable and its current value is recognised as unearned finance revenue.

Leasing revenue is recognised during the period leasing under the net investment method which corresponds to consistent regular profit rate.

#### Operating lease

#### *The Group and the Company as a lessee*

Leases where the lessor retains all the risk and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentives received from the lessor) are recognised as an expense in the income statement on a straight-line basis over the lease term.

If the result of sales and lease back transactions is operating lease and it is obvious that the transaction has been carried out at fair value, any profit or loss is recognised immediately. If the sales price is lower than the fair value, any profit or loss is recognised immediately, except for the cases when the loss is compensated by lower than market prices for lease payments in the future. The profit is then deferred and it is amortised in proportion to the lease payments over a period, during which the assets are expected to be operated. If the sales price exceeds the fair value, a deferral is made for the amount by which the fair value is exceeded and it is amortised over a period, during which the assets are expected to be operated.

#### *The Group and the Company as a lessor*

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

### 2.16. Revenue recognition

The Group and the Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised.

#### Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

#### Sale of services and long-term contracts

For sales of services, revenue is recognised in the accounting period in which the services rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

If the final result of a long-term contract can be evaluated reliably, revenue and costs of each long-term contract is recognised according to the level of contract implementation. If the forecasted contract costs are higher (lower) than the factual contract costs, then the contract revenue recognised in the current period are respectively lower (higher). When it is probable that contract costs will exceed the agreed revenue, loss is recognised immediately as costs in the income statement.

## **2. Summary of significant accounting policies (cont'd)**

### **2.16. Revenue recognition (cont'd)**

#### Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. When the Group and the Company provides incentives to its tenants, the cost of incentives is recognised over lease term, on a straightline basis, as a reduction of rental income.

#### Interest income

Income is recognised as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

#### Dividends income

Income is recognised when the Group's and the Company's right to receive the payment is established.

### **2.17. Cash and non-cash distribution to equity holders of the parent**

The Group and the Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Group and the Company. In Lithuania a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity. The liability for non-cash distributions is measured at the fair value of the assets to be distributed with subsequent fair value re-measurement recognised directly in equity as adjustment to the amount of the distribution.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit or loss.

### **2.18. Borrowing costs**

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. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

### **2.19. Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted by the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

As at 30 September 2014 and 31 December 2013, the standard income tax rate in Lithuania was 15%. After the amendments of Income Tax Law of Republic of Lithuania had come into force, 15% income tax rate has been established for indefinite period starting 1 January 2010. Starting from 2010, tax losses can be transferred at no consideration or in exchange for certain consideration between the Group companies if certain conditions are met.

## 2. Summary of significant accounting policies (cont'd)

### 2.19. Current and deferred income tax (cont'd)

The standard income tax rate in Norway is 28%. The standard income tax rate in Luxemburg is 28,8% and LTL 5 thousand minimum fixed income tax.

Deferred income taxes are calculated using the liability method. Deferred income 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 income 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 reverse based on tax rates enacted or substantially enacted at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

By Lithuanian Income Tax Law shall be not taxed sale of shares of an entity, registered or otherwise organised in a state of the European Economic Area or in a state with which a treaty for the avoidance of double taxation has been concluded and brought into effect and which is a payer of corporate income tax or an equivalent tax, to another entity or a natural person where the entity transferring the shares held more than 25% of voting shares in that entity for an uninterrupted period of at least two years. If mentioned condition is met or will be met by judgement of the management of the Company, there are not recognised any deferred tax liabilities or assets in respect of temporary differences associated with this investments.

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

Deferred tax asset are not recognised:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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. Such carrying forward is disrupted if the Company changes its activities due to which these losses 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 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.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## 2. Summary of significant accounting policies (cont'd)

### 2.20. Grants

Grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. The amount of the grants related to assets is recognised as deferred income and released to income on a linear basis over the expected useful life of related asset. In the income statement, depreciation expense account is decreased by the amount of grant amortisation.

### 2.21. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a 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. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### *Contingent liabilities recognised in a business combination (applicable as of 1 January 2010)*

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of:

- the amount that would be recognised in accordance with the general guidance for provisions above (IAS 37) or
- the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition (IAS 18).

### 2.22. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are recognised in equity as a deduction, net of tax, from the proceeds. Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

### 2.23. Employee benefits

#### Social security contributions

The Group and the Company pay social security contributions to the state Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Group pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. Social security contributions are recognised as expenses on an accrual basis and included in payroll expenses.

#### Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after reporting date are discounted to their present value.

#### Bonus plans

The Group and the Company recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

## 2. Summary of significant accounting policies (cont'd)

### 2.24. Share-based payments

The Group and the Company operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of the options is recognised as an employee benefits expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- excluding the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

#### Share - based payments – modification and cancellation

If the terms of an equity-settled award are modified, at a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

If an equity award is cancelled by forfeiture, when the vesting conditions (other than market conditions) have not been met, any expense not yet recognised for that award, as at the date of forfeiture, is treated as if it had never been recognised. At the same time, any expense previously recognised on such cancelled equity awards are reversed from the accounts effective as at the date of forfeiture.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

### 2.25. Contingencies

Contingent liabilities are not recognised in the financial statements. 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 or economic benefits is probable.

### 2.26. Events after the reporting period

Events after the reporting period that provide additional information about the Group's position as at the end of the reporting period (adjusting events) are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

## 2. Summary of significant accounting policies (cont'd)

### 2.27. Significant accounting judgements and estimates

The preparation of financial statements requires management of the Group and the Company to make judgements and estimates that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities, at the end of reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### Estimates and assumptions

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 described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The significant areas of estimation used in the preparation of these financial statements are discussed below.

#### Impairment of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 3).

#### Impairment loss of trade receivables

The impairment loss of trade receivables and loans granted was determined based on the management's estimates on recoverability and timing relating to the amounts that will not be collectable according to the original terms of receivables and loans. These accounting estimates require significant judgement. Judgement is exercised based on net assets value of subsidiaries, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments. If there is objective evidence that an impairment loss on loans granted and trade receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The expected cash flows exclude future credit losses that have not been incurred and are discounted at the original effective interest rate (that is, the effective interest rate computed at initial recognition).

Other areas involving estimates include useful lives of property, plant and equipment and allowances for accounts receivable. According to the management, these estimates do not have significant risk of causing a material adjustment.

### 3. Business combinations and acquisitions of non-controlling interests

In April 2013 the Group acquired 70% of 360° Smart Consulting Ltd shares for LTL 12 thousand in order to implement projects carried out by the segment of information technology infrastructure in Tanzania as local resident of the state. Subsequently the company changed its name to Norway Registers Development East Africa Limited. The value of the company's net assets amounted to LTL 25 thousand, the non-controlling interest increased by LTL 7 thousand due to this acquisition.

#### Establishment of companies in 2013

In August 2013 the Group established a new subsidiary NRD CS UAB in the segment of information technology infrastructure by investing LTL 10 thousand into share capital.

#### Acquisition of non-controlling interest in 2013 and 2012

In January 2013 the Group acquired 5.27% of NRD UAB shares for LTL 200 thousand. The value of additionally acquired interest amounted to LTL 194 thousand. Negative difference of LTL 6 thousand between acquisition price and the value of interest acquired was recognised directly in the ownership of shareholders.

#### Goodwill

	<b>Goodwill attributable to cash-generating units</b>	
	<b>30 September 2014</b>	<b>31 December 2013</b>
Acena	41	41
BAIP*	10.509	10.509
NRD subgroup	1.600	1.600
	<u>12.150</u>	<u>12.150</u>

In 2013 the recoverable amount of cash generating units has been determined based on value in use calculation using cash flow projections based on financial forecasts approved by the Group management covering a 5-year period. The pre – tax discount rate applied to cash flow projections is 11.35% (in 2013: 11.35%), cash flows within the 5-year period are extrapolated using 5% growth rate (in 2013: 5%) and cash flows beyond 5-year period are extrapolated using 2% growth rate (in 2013: 2%).

The forecasted revenue growth was evaluated according to the market share held by cash-generating units of respective companies and the forecasted growth of market share. Discount rate was calculated separately for each cash-generating unit based on its weighted average cost of capital.

### 4. Income

	<b>The Group</b>		<b>The Company</b>	
	<b>3 quarters of 2014</b>	<b>3 quarters of 2013</b>	<b>3 quarters of 2014</b>	<b>3 quarters of 2013</b>
Sales of technical and software equipment	22.776	15.678	-	2
Revenue from services provided	16.986	15.128	-	-
Marketing and partnership revenue	430	195	-	-
Management and accounting services	-	-	689	440
Other revenue from main activities	110	83	5	2
	<u>40.302</u>	<u>31.084</u>	<u>694</u>	<u>444</u>

## 5. Cost of sales

	The Group		The Company	
	3 quarters of 2014	3 quarters of 2013	3 quarters of 2014	3 quarters of 2013
Cost of goods sold	19.966	14.329	-	3
Materials and inventories used	4.917	21	-	-
Salaries expenses	1.813	1.788	-	-
Social insurance	565	543	-	-
Work of subcontractors	1.259	3.756	-	-
Depreciation and amortisation	467	531	-	-
Other costs	106	662	-	-
	<u>29.093</u>	<u>21.630</u>	<u>-</u>	<u>3</u>

## 6. Operating costs

	The Group		The Company	
	3 quarters of 2014	3 quarters of 2013	3 quarters of 2014	3 quarters of 2013
Salaries expenses	4.854	3.920	504	373
Social insurance	1.468	1.230	156	117
Other staff-related costs	95	113	1	4
Transportation costs	637	561	81	69
Lease and maintenance of premises	481	422	7	3
Bank and insurance services	82	45	(1)	1
Charity and support	40	20	-	-
Representation and public relations	144	146	24	14
Professional services (legal, accounting)	701	606	31	34
Communications costs	89	99	29	9
Depreciation and amortisation	338	604	4	2
Other costs	184	182	160	79
	<u>9.113</u>	<u>7.948</u>	<u>996</u>	<u>705</u>

## 7. Finance income

	The Group		The Company	
	3 quarters of 2014	3 quarters of 2013	3 quarters of 2014	3 quarters of 2013
Interest income	70	-	86	297
Positive currency rate differences	6	-	-	7
	<u>76</u>	<u>-</u>	<u>86</u>	<u>304</u>

## 8. Finance costs

	The Group		The Company	
	3 quarters of 2014	3 quarters of 2013	3 quarters of 2014	3 quarters of 2013
Interest expenses	1.004	1.045	1.105	1.110
Other finance costs	58	35	-	-
Negative Currency rate differences	-	7	-	-
	<u>1.062</u>	<u>1.087</u>	<u>1.105</u>	<u>1.110</u>

## 9. Income tax

	The Group		The Company	
	3 quarters of 2014	3 quarters of 2013	3 quarters of 2014	3 quarters of 2013
<b>Components of the income tax credit (expenses)</b>				
Current year income tax	522	10	-	1
Deferred income tax expenses (revenue)	(321)	(4)	-	-
Income tax expenses stated in the income statement	201	6	-	1

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	The Group		The Company	
	30 September 2014	31 December 2013	30 September 2014	31 December 2013
<b>Deferred tax assets</b>				
Deferred tax assets to be recovered after more than 12 months	358	70	2	194
Deferred tax assets to be recovered within 12 months	-	-	-	-
	358	70	2	194
<b>Deferred tax liabilities</b>				
Deferred tax liability to be recovered after more than 12 months	41	74	-	-
Deferred tax liability to be recovered within 12 months	-	-	-	-
	41	74	-	-

The reconciliation of the total income tax to the theoretical amount that would arise using the tax rate of the Group and the Company is as follows:

	The Group		The Company	
	3 quarters of 2014	3 quarters of 2013	3 quarters of 2014	3 quarters of 2013
<b>Profit (loss) before tax</b>	1.392	318	1.205	(924)
Income tax calculated at the tax rate of 15%	209	48	181	(139)
Other (expenses) without effect on profit / non-taxable income	(8)	(42)	(181)	140
<b>Income tax gain (loss) stated in the income statement</b>	201	6	-	1

## 9. Income tax (cont'd)

The movement in deferred income tax assets and liabilities of the Group on 30 September 2014 and 31 December 2013 were as follows:

	Balance as at 31 December 2012	Recognised in the income statement	Currency translation	Transferable tax loss	Balance as at 31 December 2013	Recognised in the income statement	Balance as at 30 September 2014
<b>Deferred tax asset</b>							
Tax loss	214	-	-	(196)	18	321	339
Property, plant and equipment	63	(4)	-	-	59	-	59
Amounts receivable	3	23	3	-	29	-	29
Deferred revenue	52	3	-	-	55	-	55
Accruals	69	(10)	-	-	59	-	59
Intangible assets	-	22	(3)	-	19	-	19
Other	10	5	-	-	15	-	15
Deferred tax asset available for recognition	411	39	-	(196)	254	321	575
Less: unrecognised deferred tax asset	-	-	-	-	-	-	-
<b>Recognised deferred income tax asset</b>	411	39	-	(196)	254	321	575
Asset netted with liability of the same legal entities	-	(184)	-	-	(184)	(33)	(217)
<b>Deferred income tax asset, net</b>	411	(145)	-	-	70	288	358
<b>Deferred tax liability</b>							
Intangible assets	237	(71)	(2)	-	164	-	164
Amounts receivable	-	94	-	-	94	-	94
Deferred income tax liability	237	23	(2)	-	258	-	258
Liability netted with asset of the same legal entities	-	(184)	-	-	(184)	(33)	(217)
<b>Deferred income tax liability, net</b>	237	(161)	(2)	-	74	(33)	41
<b>Deferred income tax liability (asset), net</b>	174	16	2	(196)	(4)	321	317

The movement in deferred income tax assets and liabilities of the Company on 30 September 2014 and 31 December 2013 were as follows:

	Balance as at 31 December 2012	Recognised in the income statement	Transfe- rable tax loss	Balance as at 31 December 2013	Recognised in the income statement	Balance as at 30 September 2014
<b>Deferred tax asset</b>						
Tax loss		135	(133)	192	194	(192)
<b>Recognised deferred income tax asset, net</b>		135	(133)	192	194	(192)

## 10. Property, plant and equipment

The Group	Buildings and constructions	Vehicles	Computer and office equipment	Computer and Office equipment (lease)	Other property, plant and equipment	Total
Acquisition cost:						
Balance as at 31 December 2012	745	90	1.336	2.780	164	5.115
Disposals and write-offs	-	-	(125)	(70)	-	(195)
Transfers between groups	-	-	(99)	-	99	-
Acquisition of subsidiary	-	-	6	-	-	6
Acquisitions	-	-	154	547	-	700
Balance as at 31 December 2013	745	90	1.272	3.257	269	5.632
Disposals and write-offs	-	-	-	(84)	-	(84)
Acquisitions	-	-	-	562	-	562
Balance as at 30 September 2014	745	90	1.272	3.735	269	5.632
Accumulated depreciation:						
Balance as at 31 December 2012	20	18	829	1.882	100	2.849
Depreciation during the period	16	15	106	697	40	874
Transfers between groups	-	-	(25)	-	25	-
Disposals and write-offs	-	-	(177)	(57)	-	(177)
Balance as at 31 December 2013	36	33	733	2.522	165	3.546
Depreciation during the period	12	14	482	-	-	508
Balance as at 30 September 2014	48	47	1.272	2.522	165	4.054
<b>Net book value as at 30 September 2014</b>	<b>697</b>	<b>43</b>	<b>-</b>	<b>1.213</b>	<b>104</b>	<b>2.057</b>
<b>Net book value as at 31 December 2013</b>	<b>709</b>	<b>57</b>	<b>481</b>	<b>735</b>	<b>104</b>	<b>2.087</b>

The depreciation charge of the Group's property, plant and equipment for three quarters of 2014 amounts to LTL 508 thousand (during 2013: LTL 874 thousand). An amount of LTL 467 thousand is included in cost of sales of respective period (during the same period in 2013: LTL 531 thousand), the remaining part is included in operating expenses.

Property, plant and equipment of the Group with a net book value of LTL 697 thousand as at 30 September 2014 (LTL 709 thousand as at 31 December 2013) was pledged to the banks as a collateral for the loans (Note 19).

As at 30 September 2014 and 31 December 2013, no borrowing costs were incurred by the Group and capitalised to the acquisition, construction or production of a qualifying asset.

## 11. Intangible assets

### The Group

	Contracts, customer relationships	Software	Internally created intangible assets	Other intangible assets	Total
Acquisition cost:					
Balance as at 31 December 2012	2.044	742	111	104	3.001
Acquisitions	-	62	-	-	62
Effect of changes in currency rates	-	-	-	-	-
Transfers between groups	-	4	-	(4)	-
Balance as at 31 December 2013	2.044	808	111	100	3.063
Acquisitions	-	-	16	-	16
Balance as at 30 September 2014	2.044	808	127	100	3.079
Accumulated amortisation:					
Balance as at 31 December 2012	593	485	37	32	1.147
Amortisation during the period	411	190	47	29	677
Disposals and write-offs	-	-	-	-	-
Effect of changes in currency rates	8	-	-	-	8
Balance as at 31 December 2013	1.012	675	84	61	1.832
Amortisation during the period	107	71	16	22	217
Balance as at 30 September 2014	1.119	746	100	83	2.049
<b>Net book value as at 31 December 2013</b>	<b>925</b>	<b>62</b>	<b>27</b>	<b>16</b>	<b>1.030</b>
<b>Net book value as at 30 September 2014</b>	<b>1.032</b>	<b>133</b>	<b>27</b>	<b>39</b>	<b>1.231</b>

The amortisation charge of the Group's intangible assets during nine months of 2014 amounts to LTL 217 thousand (during year 2013: LTL 677 thousand) and they are included in operating costs. Internally created other intangible assets include costs incurred for improvement and adjustment of software used. Amortisation period of 3 years is applied for these assets.

## 12. Financial instruments by category

All financial assets of the Group and the Company are attributed to the category of Loans and amounts receivable.

Loans and amounts receivable	The Group		The Company	
	As at 30 September 2014	As at 31 December 2013	As at 30 September 2014	As at 31 December 2013
Other financial non-current assets	-	665	-	-
Trade and other amounts receivable	18.318	11.733	-	-
Amounts receivable from Group companies	-	-	3.079	709
Other current assets	1.364	2.588	-	-
Cash and cash equivalents	309	1.117	1	50
	<b>19.991</b>	<b>16.103</b>	<b>3.080</b>	<b>759</b>

## 12. Financial instruments by category (cont.)

All financial liabilities of the Group and the Company are attributed to Financial liabilities at amortised cost:

Amortised cost of financial liabilities	The Group		The Company	
	As at 30 September 2014	As at 31 December 2013	As at 30 September 2014	As at 31 December 2013
Long-term loans	1.271	950	-	-
Other non-current liabilities	51	-	51	-
Long-term loans for the current year and short-term loans	12.396	12.614	14.347	13.478
Trade payables	11.083	6.819	74	24
Other current liabilities	326	1.911	-	10
	<b>25.127</b>	<b>22.294</b>	<b>14.472</b>	<b>13.512</b>

## 13. Inventories

	The Group		The Company	
	As at 30 September 2014	As at 31 December 2013	As at 30 September 2014	As at 31 December 2013
Consumables	232	265	-	-
Goods for resale	1.058	541	-	-
Other inventories	-	3	-	-
	<b>1.290</b>	<b>809</b>	-	-

## 14. Trade and other receivables

	The Group		The Company	
	As at 30 September 2014	As at 31 December 2013	As at 30 September 2014	As at 31 December 2013
Trade and other receivables, gross	17.653	12.432	-	-
Amounts receivable from Group companies	-	-	-	-
Taxes receivable, gross	-	-	-	-
Other amounts receivable, gross	856	157	-	-
Loans granted to Group companies	-	-	3.079	709
Impairment of doubtful amount receivable (-)	(191)	(191)	-	-
Non-current trade debtors (-) – Disclosed in Other non-current assets	-	(665)	-	-
	<b>18.318</b>	<b>11.733</b>	<b>3.079</b>	<b>709</b>

Changes in impairment of doubtful amounts receivable for the year 2014 and 2013 is included under Impairment in the income statement.

Trade and other receivables are non-interest bearing and are generally on 10–60 days terms.

Receivables from related parties are disclosed in more details in Note 24.

#### 14. Trade and other receivables (cont'd)

Movements in the allowance for accounts receivable of the Group (assessed individually) were as follows:

##### Individually determined impairment

	<u>The Group</u>
Balance as at 31 December 2012	12
Impairment calculated during 9 months	-
Balance as at 30 September 2013	<u>12</u>
Balance as at 31 December 2013	191
Impairment calculated during the period	<u>-</u>
<b>Balance as at 30 September 2014</b>	<b><u>191</u></b>

The ageing analysis of trade and other receivables of the Group as at 30 September 2014 and 31 December 2013 is as follows:

	Trade receivables neither past due nor impaired	Trade receivables past due but not impaired				Impaired amounts receivable	Total
		Less than 30 days	30-90 days	90-180 days	More than 180 days		
<b>As at 30 September</b>	13.785	783	1.360	646	1.079	-	17.653
<b>As at 31 December 2013</b>	10.034	643	222	395	659	479	12.432

##### Credit quality of financial assets neither past due nor impaired

All trade receivables neither past due nor impaired as at 30 September 2014 and 31 December 2013 have no history of counterparty defaults.

With respect to trade and other receivables that are neither past due nor impaired, there are no indications as at the reporting date that the debtors will not meet their payment obligations since the Group trades only with recognised, creditworthy third parties. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security, except as mentioned above.

#### 15. Contracts in progress

The Group	<u>As at 30 September 2014</u>	<u>As at 31 December 2013</u>
Costs incurred on long-term contracts in progress and profit earned*	23.940	20.621
Less: Progress billings	(17.522)	(18.820)
Revenue from long-term contracts	15.425	12.042
Amounts due from customers for long-term contract work	7.250	1.914
Amounts due to customers for long-term contract work	833	209

\* Costs incurred on long-term contracts in progress and profit earned includes all contracts that were not finished at the end of the reporting period, but were ongoing during the current and earlier financial periods.

## 15. Contracts in progress (cont'd)

Amounts due from customers for long-term contracts work are included in the statement of financial position line Trade and other receivables. Amounts due to customers for long-term contract work are included in the statement of financial position line Other current liabilities.

## 16. Other current assets

The Group	As at 30	As at 31
	September 2014	December 2013
Accumulated revenue of long-term contracts	-	37
Cash pledges and deposits	1.364	2.551
	<b>1.364</b>	<b>2.588</b>

## 17. Cash and cash equivalents

	The Group		The Company	
	As at 30 September 2014	As at 31 December 2013	As at 30 September 2014	As at 31 December 2013
Cash at bank	309	1.113	1	50
Cash on hand	-	4	-	-
	<b>309</b>	<b>1.117</b>	<b>1</b>	<b>50</b>

The fair value of the Group's cash amounted to LTL 309 thousand as at 30 September 2014 (as at 31 December 2013 – LTL 1,117 thousand).

The credit quality of cash can be assessed by reference to external credit ratings of the banks:

	The Group		The Company	
	As at 30 September 2014	As at 31 December 2013	As at 30 September 2014	As at 31 December 2013
Moody's ratings				
Prime-1	309	1.113	1	50
Not rated	-	-	-	-
	<b>309</b>	<b>1.113</b>	<b>1</b>	<b>50</b>

## 18. Reserves

### Reserve for the acquisition of own shares

An additional reserve of LTL 200 thousand is formed for NRD UAB for acquisition of own shares.

### Share based payments reserve

The share-based payment transactions reserve is used to recognise the value of equity-settled share-based payment transactions provided to the Group's key management personnel. The key management personnel has the right to share options if the Group's profit before depreciation, interest and tax meets objectives set for 2009 – 2014 (year's and accumulated targets are used). In 2011 the agreement was changed after acquisition of Norway Registers Development AS and new target was set for 2012–2014. The share based payment for 2012 was replaced by share based payment for 2012 – 2014. For the year 2009 the objective was not met, but in 2010 and 2011 the target was reached. The value of share based payments was calculated using binomial method. During the reporting period of the first nine months of 2014 and the corresponding previous period of 2013 the Group and the Company did not recognise expenses of share based payments as achievement of targets was not evaluated for this period.

## 18. Reserves (cont'd)

The Group specified the number of planned options according to approved terms. During the reporting period, based on Group results, the number of planned options decreased.

## 19. Borrowings

	The Group		The Company	
	As at 30 September 2014	As at 31 December 2013	As at 30 September 2014	As at 31 December 2013
Non-current				
Non-current bank borrowings	1.271	950	-	-
Borrowings from related parties	-	-	-	-
	<u>1.271</u>	<u>950</u>	<u>-</u>	<u>-</u>
Current				
Current portion of non-current borrowings	2.051	2.836	-	-
Borrowings from related parties	10.345	9.778	14.347	13.478
	<u>12.396</u>	<u>12.164</u>	<u>14.347</u>	<u>13.478</u>
<b>Total borrowings</b>	<b><u>13.667</u></b>	<b><u>13.564</u></b>	<b><u>14.347</u></b>	<b><u>13.478</u></b>

Significant portion of the Group's borrowings is from related parties. Please refer to Note 24 for more details.

Borrowings at the end of the year in local and foreign currencies expressed in LTL were as follows:

Borrowings denominated in:	The Group		The Company	
	As at 30 September 2014	As at 31 December 2013	As at 30 September 2014	As at 31 December 2013
EUR	-	399	-	-
LTL	13.667	13.165	14.347	13.478
	<u>13.667</u>	<u>13.564</u>	<u>14.347</u>	<u>13.478</u>

The amounts pledged to the banks are as follows:

	The Group	
	As at 30 September 2014	As at 31 December 2013
Property, plant and equipment	697	709
Trade receivables	1.033	1.104

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

	The Group	
	As at 30 September 2014	As at 31 December 2013
Borrowings	6,74%	9,12%

As at 30 September 2014, the Group had LTL 307 thousand of unused credit lines or account surplus limit (as at 31 December 2013 – LTL 703 thousand).

## 20. Leasing (finance lease)

The assets leased by the Group under finance lease contracts consist of computer and office equipment and vehicles. Apart from the lease payments, the most significant liabilities under lease contracts are property maintenance and insurance. The remaining terms of financial lease are from 36 to 60 months. The net carrying amounts of the assets acquired under financial lease specified by categories are as follows:

	The Group	
	As at 30 September 2014	As at 31 December 2013
Other fixtures, fittings, tools and equipment	-	5
Vehicles	36	51
	36	56

As at 30 September 2014 and 31 December 2013, the Group's financial lease payables were denominated as follows:

	The Group	
	As at 30 September 2014	As at 31 December 2013
EUR	-	6
LTL	49	58
	49	64

As at 30 September 2014 and 31 December 2013 the interest rate on the financial lease liabilities denominated in EUR is fixed and amounts to 8%. As at 30 September 2014 and 31 December 2013 the interest rates on the financial lease liabilities denominated in LTL are 6-month VILIBOR with the margin of 1.5%.

Future minimal lease payments and their present value under the above mentioned financial lease contracts are as follows:

	The Group			
	As at 30 September 2014		As at 31 December 2013	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	14	12	18	18
From one to five years	38	37	48	46
<b>Total financial lease obligations</b>	<b>52</b>	<b>49</b>	<b>66</b>	<b>64</b>
Interest	(3)		(2)	
Present value of financial lease obligations	49		64	

Financial lease obligations are accounted for as:

- current	12	18
- non-current	37	46

## 21. Trade payables

Trade payables are non-interest bearing and are normally settled on 14–60 day terms. For terms and conditions relating to related parties please refer to Note 24.

## 22. Other liabilities

The other current and non-current liabilities are presented in the table below:

	The Group		The Company	
	As at 30 September 2014	As at 31 December 2013	As at 30 September 2014	As at 31 December 2013
<b><u>Financial liabilities</u></b>				
Accrued expenses	313	722	-	-
Other amounts payable	64	645	-	10
	<u>377</u>	<u>1,367</u>	<u>-</u>	<u>10</u>
<b><u>Non-financial liabilities</u></b>				
Tax payable	-	544	-	-
	<u>-</u>	<u>544</u>	<u>-</u>	<u>-</u>
<b>Total other current and non-current liabilities</b>	<b><u>377</u></b>	<b><u>1,911</u></b>	<b><u>-</u></b>	<b><u>10</u></b>
Non-current liabilities	-	-	-	-
Current liabilities	377	1,911	-	10

## 23. Financial risk management

### 23.1. Financial risk factors

The risk management function within the Group is carried out in respect of financial risks (credit, market, currency, liquidity and interest rate), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

The Group's principal financial liabilities comprise loans and overdrafts, finance leases, trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's and the Company's operations. The Group has various financial assets such as trade and other receivables, loans granted, investments in equity and debt securities, deposits held in banks and cash which arise directly from its operations.

The Group also enters or may enter into derivative transactions, such as interest rate swaps and forward currency contracts. The purpose of them is to manage the interest rate and currency risks arising from the operations and its sources of finance. The Group has not used any of derivative instruments so far, as management considered that there is no necessity for them.

The Group is being managed the way so its main businesses would be separated from each other. This is to diversify the activity risk and create conditions for selling any business avoiding any risk to the Group.

The main risks arising from the financial instruments are market risk (including currency risk, cash flow and fair value interest rate risk and price risk), liquidity risk and credit risk. The risks are identified and disclosed below.

#### Credit risk

Credit risk arises from cash and cash equivalents, restricted cash, deposits with banks and financial institutions, as well as credit exposures to outstanding trade receivables, loans granted and debt securities.

At the date of financial statements there are no indications of worsening credit quality of trade and other receivables, which are neither due, nor impaired, due to constant control by the Group of receivable balances.

The Group trade only with recognised, creditworthy third parties. It is the Group's policy, that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances of subsidiary companies are monitored on a monthly basis. There are no significant transactions of the Group or the Company that do not occur in the country of the relevant operating unit.

With respect to credit risk arising from other financial assets of the Group, which comprise deposits at banks and cash and cash equivalents, restricted cash and debt securities, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

## 23. Financial risk management (cont'd)

### 23.1. Financial risk factors (cont'd)

For banks and financial institutions, only independently rated parties with high credit ratings are accepted.

#### Cash flow and fair value interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the non-current debt obligations with floating interest rates. Current environment is not attractive to seek for fixed interest rates (fixed interest rate is significantly higher than the float, and due to the volatility in the market fixed interest rates are offered for short period of time only). The Group is exposed to fair value interest rate risk due to loans received with fixed interest rate.

#### Cash flow and fair value interest rate risk (cont'd)

The following table demonstrates the sensitivity to a reasonably possible change in floating interest rates with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's equity, other than current year profit impact.

	<u>Increase/decrease, % of annual interest</u>	<u>Effect on profit before tax</u>
<b>2014</b>		
EUR	1	18
EUR	-0,5	(9)
	<u>Increase/decrease, % of annual interest</u>	<u>Effect on profit before tax</u>
<b>2013</b>		
EUR	1	4
LTL	1	23
EUR	-0,5	(2)
LTL	-0,5	(11)

As at 31 December 2013, the majority of the Group's borrowings were with fixed interest rates, therefore the Group was not exposed to the risk of changes in interest rate.

#### 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 their commitments at a given date in accordance with strategic plans. The liquidity risk of the Group is controlled on an overall Group level. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, bonds and finance leases. The liquidity risk management is divided into long-term and short-term risk management.

The aim of the short-term liquidity management is to meet daily needs for funds. Each business segment is independently planning its internal cash flows. Short-term liquidity for the Group and the Company is controlled through weekly monitoring of the liquidity status and needs of funds according to the Group's and the Company's business segments.

Long-term liquidity risk is managed by analysing the predicted future cash flows taking into account the possible financing sources. Before approving the new investment projects the Group evaluates the possibilities to attract needed funds. On a monthly basis the business segments report to the Group the forecasted cash inflows and outflows for a future one year period which allows planning the Group's financing effectively. The general rule is to finance the Group companies or to take loans from them through the Company in order to minimise the presence of direct borrowings between the subsidiaries.

## 23. Financial risk management (cont'd)

### 23.1. Financial risk factors (cont'd)

The table below summarises the maturity profile of the Group's financial liabilities as at 30 September 2014 and 31 December 2013 based on contractual undiscounted payments.

The Group	Less than 3 months	4 to 12 months	2 to 5 months	Total
Borrowings with interest	11.637	1.314	1.919	14.870
Finance lease obligations	3	10	38	51
Trade and other payables	11.083	-	-	11.083
Other current liabilities	377	-	-	377
<b>Balance as at 30 September 2014</b>	<b>23.100</b>	<b>1.324</b>	<b>1.957</b>	<b>26.381</b>

The Group	Less than 3 months	4 to 12 months	2 to 5 months	Total
Borrowings with interest	1.044	12.718	994	14.757
Finance lease obligations	9	10	46	65
Trade and other payables	6.819	-	-	6.819
Other current liabilities	1.191	720	-	1.911
<b>Balance as at 31 December 2013</b>	<b>9.063</b>	<b>13.448</b>	<b>1.040</b>	<b>23.552</b>

#### Liquidity risk (cont'd)

The Group's liquidity ratio ((total current assets plus assets of disposal group classified as held-for-sale) / total current liabilities plus liabilities of disposal group directly associated with the assets classified as held-for-sale) as at 30 September 2014 was approximately 0.82 (as at 31 December 2013 – 0.70), the quick ratio ((total current assets – inventories) / total current liabilities) – 0.77 (as at 31 December 2013 – 0.67). The Group's management considers the liquidity position of the Group and the Company based on the current market conditions and takes actions to keep the favourable situation.

#### Foreign exchange risk

As a result of operations the statement of financial position of the Group can be affected by movements in the reporting currencies' exchange rates. The Group's policy is related to matching of money inflows from the most probable potential sales with purchases by each foreign currency. The Group does not apply any financial means allowing to hedge foreign currency risks, because these risks are considered insignificant.

The foreign currency risk at the Group and the Company is not large, taking into consideration that most monetary assets and obligations are denominated in each separate company's functional currency or euro.

## 23. Financial risk management (cont'd)

### 23.2. Fair value evaluations

The Group's principal financial instruments that are not carried at fair value in the statement of financial position are cash and cash equivalents, deposits at banks, restricted cash, trade and other receivables, loans granted, trade and other payables, non-current and current borrowings.

The fair value is defined as the price that would be received for exchange of assets or services or that would be used in order to settle liabilities between third parties, intending to buy (sell) assets or to settle liabilities. Fair value of financial assets or liabilities is based on quoted market prices, models using discounted cash flows or other valuation models, depending on circumstances.

As at 30 September 2014 and 31 December 2013, the carrying value of the Group's financial assets and liabilities approximates their fair value.

Methods and assumptions used for fair value measurement of financial instruments are described below:

- a) The carrying amount of short-term trade and other receivables, short-term trade and other payables and borrowings is close to their fair value;
- b) The fair value of long term borrowings is estimated using same or similar market price of the borrowings or interest rate, which is applied for the same term borrowings at the moment. The carrying value of long term borrowings, with variable and fixed interest rate approximates their fair value.

#### *Fair value hierarchy*

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

### 23.3. Capital management

The primary objective of the capital management is to ensure that the Group maintains a strong credit health and healthy capital ratios in order to support their business and maximise shareholder value. The Group's management supervises the investments so that they are in compliance with requirements applied to the capital, specified in the appropriate legal acts and credit agreements, as well as provide the Group's management with necessary information.

The Group's capital comprises share capital, share premium, reserves and retained earnings. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and specific risks of their activity. To maintain or adjust the capital structure, the Company 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 year 2014 and 2013.

The Company is obliged to keep its equity ratio at not less than 50% of its share capital, as imposed by the Law on Companies of Republic of Lithuania. If subsidiaries, based on the current year results, violate requirements of the laws, according to the order and terms provided for in laws the Company shall apply the appropriate means so that the aforementioned requirements on the capital would be met. If needed, the appropriate measures will be taken in order to increase share capitals of the above mentioned companies capitalising the loans granted by the Company to the equity of subsidiaries.

Besides, some Group subsidiaries have obligations arising out of credit agreements concluded with banks, including capital. For the purpose of ensuring of bank credits it is required that the ratio of equity plus subordinated borrowings divided by total assets would be not less than specified in the appropriate agreements. Depending on risks related to projects and activities under development the ratio required by banks is 0.3–0.4. The Company, when subordinating credits, seeks to ensure that the subsidiaries comply with this ratio.

## 24. Related party transactions

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

The related parties of the Group in 2014 and 2013 were the shareholders of the Company (Note 1), key management personnel of the Company and group companies of Invalda LT AB.

Receivables from related parties are presented in gross amount (without allowance, with interests, which are calculated according to the agreement on gross amount disregarding the allowance).

Transactions of the Group with associates in January - September 2014 and balances as at 30 September 2014 were as follows:

<b>The Group</b>	<b>Revenue from related parties</b>	<b>Purchases from related parties</b>	<b>Receivables from related parties</b>	<b>Payables to related parties</b>
<i>Other shareholders and the Company's management</i>				
Borrowings	137	185	-	937
Property lease	-	184	-	-
	-	250	-	990
<i>AB Invalda LT group companies</i>				
Borrowings	2.336	2.425	-	8.670
Operating activities	361	-	108	-
Property lease	-	-	-	-
	2.697	1.239	108	8.670

The maturity of loans granted is in 2014, effective interest rate is fixed at 11%. Loans hold no collateral.

Transactions of the Group with associates in January - September 2013 and balances as at 31 December 2013 were as follows:

<b>The Group</b>	<b>Revenue from related parties</b>	<b>Purchases from related parties</b>	<b>Receivables from related parties</b>	<b>Payables to related parties</b>
<i>Other shareholders and the Company's management</i>				
Borrowings	-	88	-	990
Property lease	-	162	-	-
	-	250	-	990
<i>AB Invalda LT group companies</i>				
Borrowings	-	1.054	-	8.789
Operating activities	409	-	16	-
Property lease	-	185	-	-
	409	1.239	16	8.789

## 24. Related party transactions (cont'd)

### Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured, interest free (except as stated above) and settlement occurs in cash.

### Key management compensation and other payments

The management remuneration contains short-term employees' benefits and share-based payments. Key management of the Group includes Board members of the Company and Chief accountant and the General Managers, which manage the Group's segment, (excluding associates and joint ventures) and managers of subsidiary BAIP UAB structured departments (9 people total).

	<b>The Group</b>	
	<b>January- September 2014</b>	<b>January- September 2013</b>
Wages, salaries and bonuses	1.299	1.086
Social security contributions	381	285
Total key management compensation	<u>1.680</u>	<u>1.371</u>

Transactions with the Group's management are disclosed in tables of transactions with related parties.

## 25. Events after the reporting period

On 26 November 2014 the shareholders of INVL Technology AB and BAIP grupė UAB signed the agreement, which provides that INVL Technology AB and BAIP grupė will merge, in order to issue new shares in 2015 and to attract not less than 10 mio Eur of new capital. New entity will approach Lithuanian bank to get the license of closed –end Investment Company.

On 26 November 2014 the shareholder decision has been taken to increase share capital of the Company from LTL 5 000 000 (five million LTL) up to LTL 6 092 685 (six millions ninety two thousands six hundred eighty five LTL) by additional cash contributions, issuing additionally 1 092 685 (one million ninety two thousands six hundred eighty five) common shares by par value of LTL 1 each. On 10 December and 11 December 2014 the agreements were signed with minority shareholders, shares were paid by additional contributions.

On 5 December 2014 the shareholders took decision to re-organize BAIP grupė UAB into public limited liability company BAIP grupė AB. The conversion of BAIP grupė conversion into a public limited company will not affect neither the rights and legitimate interests of the Company itself or its shareholders', creditors' and other parties', neither the Company's business and results of operations, as the conditions and grounds of the activities does not change.

On 8 December 2014 the by-laws of BAIP grupė AB has been registered.