AB INVALDA LT

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER 2013 PREPARED ACCORDING TO
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION
PRESENTED TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Translation note:

This version of the accompanying documents is a translation from the original, which was prepared in Lithuanian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the accompanying documents takes precedence over this translation.

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Our report has been prepared in Lithuanian and English languages. In all matters of interpretation of information, views or opinions, the Lithuanian language version of our report takes precedence over the English language version.

Independent Auditor's Report

To the shareholders of Invalda LT AB

Report on the financial statements

We have audited the accompanying stand-alone and consolidated financial statements of Invalda LT AB ("the Company") and its subsidiaries ("the Group") set out on pages 5 to 105, which comprise the stand-alone and consolidated statements of financial position as of 31 December 2013 and the stand-alone and consolidated income statements, statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information ("the financial statements").

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2013, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The consolidated Annual Report is published separately from the financial statements due to the size of these documents, therefore the report on other legal and regulatory requirements is published as a separate document to the consolidated Annual Report.

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Rasa Radzevičienė
Auditor's Certificate No.000377

Vilnius, Republic of Lithuania
7 April 2014

GENERAL INFORMATION

Board of Directors

Mr. Alvydas Banys (Chairman of the Board)
Mrs. Indrė Mišeikytė
Mr. Darius Šulnis

Management

Mr. Darius Šulnis (President)
Mr. Raimondas Rajeckas (Chief Financial Officer)

Principal place of business and company code

Šeimyniškių Str. 1A,
Vilnius,
Lithuania
Company code 121304349

Bankers

AB DNB Bankas
Šiaulių Bankas AB
Nordea Bank Finland Plc Lithuania Branch
AB SEB Bankas
Danske Bank A/S Lithuania Branch
Bankas Finasta AB
"Swedbank", AB
Citadele bankas AB
UAB Medicinos Bankas
DNB Bank Polska S. A.

Auditor

UAB PricewaterhouseCoopers
J. Jasinskio Str. 16B,
Vilnius, Lithuania

The financial statements were approved and signed by the Management and the Board of Directors on 7 April 2014.

Management:

Mr. Darius Šulnis
President

Mr. Raimondas Rajeckas
Chief Financial Officer

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

Consolidated and Company's income statements

	Notes	Group 2013	Group 2012 Restated	Company 2013	Company 2012
Continuing operations					
Revenue	5	98,700	96,556	-	-
Other income	6.3	1,715	3,632	23,244	40,795
Net gains (losses) on disposal of subsidiaries, associates and joint ventures	4	1,333	1,282	(517)	(1,052)
Net gains (losses) from fair value adjustments on investment property	12	10,736	(8,709)	-	-
Net changes in fair value of financial instruments at fair value through profit loss	6.1	1,540	3,567	1,426	836
Gain on the split-off	3	780	-	68,071	-
Changes in inventories of finished goods, work in progress and residential real estate		(2,019)	(5,040)	-	-
Raw materials and consumables used	5	(33,597)	(26,715)	(21)	(22)
Employee benefits expenses	5	(24,226)	(24,906)	(2,242)	(2,858)
Impairment, write-down and provisions	6.2	3,640	867	(5,745)	(13,156)
Premises rent and utilities		(13,215)	(14,277)	(167)	(171)
Depreciation and amortisation	11, 13	(4,046)	(4,328)	(41)	(72)
Repairs and maintenance cost of premises		(6,933)	(5,061)	(54)	-
Other expenses		(14,364)	(16,155)	(938)	(1,212)
Operating profit (loss)		**20,044**	**713**	**83,016**	**23,088**
Finance costs	6.4	(2,208)	(3,865)	(335)	(906)
Share of profit of associates and joint ventures	4	5,425	8,665	-	-
Profit (loss) before income tax		**23,261**	**5,513**	**82,681**	**22,182**
Income tax expense	7	(3,274)	(365)	(1,691)	(1,235)
Profit (loss) for the year from continuing operations		**19,987**	**5,148**	**80,990**	**20,947**
Discontinued operations					
Profit after tax for the year from discontinued operations	8	88,545	26,997	-	-
PROFIT FOR THE YEAR		**108,532**	**32,145**	**80,990**	**20,947**
Attributable to:					
Equity holders of the parent					
Profit (loss) for the period from continuing operations		19,834	5,296	80,990	20,947
Profit for the period from discontinued operations		87,441	19,475	-	-
Profit for the period attributable to equity holders of the parent		107,275	24,771	80,990	20,947
Non - controlling interest					
Profit for the period from continuing operations		153	(148)	-	-
Profit for the period from discontinued operations		1,104	7,522	-	-
Profit for the period attributable to non – controlling interests		1,257	7,374	-	-
		108,532	**32,145**	**80,990**	**20,947**
Basic earnings per share (in LTL)	9	3.12	0.47	2.36	0.40
Basic earnings (deficit) per share (in LTL) from continuing operations		0.54	0.47	2.36	0.40
Diluted earnings per share (in LTL)	9	3.12	0.47	2.36	0.40
Diluted earnings (deficit) per share (in LTL) from continuing operations		0.54	0.47	2.36	0.40

Consolidated and Company's statements of comprehensive income

	Notes	Group		Company	
		2013	**2012**	**2013**	**2012**
			Restated		
Profit (loss) for the year		**108,532**	**32,145**	**80,990**	**20,947**
Other comprehensive income (loss)					
Other comprehensive income (loss) that may be subsequently reclassified to profit or loss					
Exchange differences on translation of foreign operations		(120)	43	-	-
Share of other comprehensive income (loss) of associates	4	(4)	(6)	-	-
Net other comprehensive income (loss) that may be subsequently reclassified to profit or loss		**(124)**	**37**	**-**	**-**
Other comprehensive income (loss) that will not be reclassified to profit or loss					
Re-measurement gains (losses) on defined benefit plans		-	(161)	**-**	**-**
Share of other comprehensive income (loss) of associates - re-measurement gains (losses) on defined benefit plans	4	26	-	**-**	**-**
Net other comprehensive income (loss) not to be reclassified to profit or loss		**26**	**(161)**	**-**	**-**
Other comprehensive income (loss) for the period, net of tax		**(98)**	**(124)**	**-**	**-**
Total comprehensive income (loss) for the period, net of tax		**108,434**	**32,021**	**80,990**	**20,947**
Attributable to:					
Equity holders of the parent					
Income (loss) for the period from continuing operations		19,760	5,324	80,990	20,947
Income for the period from discontinued operations		87,441	19,359	-	-
Income for the period attributable to equity holders of the parent		107,201	24,683	80,990	20,947
Non - controlling interest					
Income for the period from continuing operations		129	(139)	-	-
Income for the period from discontinued operations		1,104	7,477	-	-
Income for the period attributable to non – controlling interests		1,233	7,338	-	-
		108,434	**32,021**	**80,990**	**20,947**

Consolidated and Company's statements of financial position

		Group		Company	
	Notes	**As at 31 December 2013**	**As at 31 December 2012**	**As at 31 December 2013**	**As at 31 December 2012**
ASSETS					
Non-current assets					
Property, plant and equipment	11	5,410	47,471	33	127
Investment properties	12	180,548	225,587	-	-
Intangible assets	13	8,263	11,390	50	13
Investments into subsidiaries	1	-	-	52,487	98,119
Investments into associates and joint ventures	1	85,686	48,799	25,108	685
Investments available-for-sale	16	1,705	2,859	1,705	1,817
Loans granted	17	-	-	21,396	82,862
Trade and other receivables long term	19	1,867	5,156	1,202	-
Other non-current assets	30	2,848	2,848	-	-
Deferred income tax asset	7	8,289	19,624	7,652	17,401
Total non-current assets		**294,616**	**363,734**	**109,633**	**201,024**
Current assets					
Inventories	18	2,688	39,564	-	-
Trade and other receivables	19	19,566	35,833	1,710	273
Current loans granted	17	30,323	31,730	55,061	104,193
Prepaid income tax		438	1,521	-	3
Prepayments and deferred charges		610	3,441	45	155
Deposits	20	-	21,418	-	41
Financial assets at fair value through profit loss	16	5,602	32,974	5,602	32,974
Restricted cash	21	5,640	3,602	-	-
Cash and cash equivalents	20	6,463	56,092	2,515	33,530
Total current assets		**71,330**	**226,175**	**64,933**	**171,169**
Assets of disposal group classified as held-for-sale		**-**	**-**	**-**	**-**
TOTAL ASSETS		**365,946**	**589,909**	**174,566**	**372,193**

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Consolidated and Company's statements of financial position (cont'd)

	Notes	Group		Company	
		As at 31 December 2013	**As at 31 December 2012**	**As at 31 December 2013**	**As at 31 December 2012**
EQUITY AND LIABILITIES					
Equity					
Equity attributable to equity holders of the parent					
Share capital	1, 22	24,834	51,802	24,834	51,802
Own shares		(20,813)	-	(20,813)	-
Share premium		33,139	60,747	33,139	60,747
Reserves	23	97,292	241,523	95,685	220,967
Retained earnings (accumulated deficit)		84,374	38,883	27,138	27,045
		218,826	**392,955**	**159,983**	**360,561**
Non - controlling interest		360	23,241	-	-
Total equity		**219,186**	**416,196**	**159,983**	**360,561**
Liabilities					
Non-current liabilities					
Non-current borrowings	24	55,824	98,737	-	-
Finance lease liabilities	25	145	423	-	-
Government grants		46	152	-	-
Provisions	27	-	396	-	-
Deferred income tax liability	7	15,296	15,116	-	-
Other non-current liabilities	28	2,627	4,831	-	-
Total non-current liabilities		**73,938**	**119,655**	**-**	**-**
Current liabilities					
Current portion of non-current borrowings	24	44,597	6,071	-	-
Current portion of financial lease liabilities	25	69	206	-	-
Current borrowings	24	9,313	549	12,682	9,125
Trade payables	26	10,417	28,373	305	55
Income tax payable		92	114	-	-
Provisions	27	-	227	-	-
Advances received	18	2,026	4,272	-	-
Other current liabilities	28	6,308	14,246	1,596	2,452
Total current liabilities		**72,822**	**54,058**	**14,583**	**11,632**
Total liabilities		**146,760**	**173,713**	**14,583**	**11,632**
TOTAL EQUITY AND LIABILITIES		**365,946**	**589,909**	**174,566**	**372,193**

(the end)

Consolidated and Company's statements of changes in equity

		Equity attributable to equity holders of the parent								
					Reserves					
Group	**Notes**	**Share capital**	**Share premium**	**Own shares**	**Legal and other reserves**	**Foreign currency translation reserve**	**Retained earnings (accumulated deficit)**	**Subtotal**	**Non - controlling interest**	**Total equity**
Balance as at 31 December 2011		**51,660**	**34,205**	**-**	**20,299**	**-**	**280,046**	**386,210**	**29,151**	**415,361**
Currency translation differences		-	-	-	-	34	-	34	9	**43**
Re-measurement gains (losses) on defined benefit plans		-	-	-	-	-	(116)	(116)	(45)	**(161)**
Share of other comprehensive income of associates	4	-	-	-	-	-	(6)	(6)	-	**(6)**
Net profit for the year 2012	9	-	-	-	-	-	24,771	24,771	7,374	**32,145**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**34**	**24,649**	**24,683**	**7,338**	32,021
Share of movements in equity of associates							871	871	-	**871**
Value of employee services		-	-	-	-	-	-	-	(93)	**(93)**
Dividends to non-controlling interests of subsidiaries		-	-	-	-	-	-	-	(10,829)	**(10,829)**
Conversion of convertible bonds into share capital	22	5,898	26,542	-	-	-	6,098	38,538	-	**38,538**
Changes in reserves	22, 23	-	-	-	275,093	-	(275,093)	-	-	**-**
Acquired own shares		-	-	(59,659)	-	-	-	(59,659)	-	**(59,659)**
Decrease of share capital		(5,756)	-	59,659	(53,903)	-	-	-	-	**-**
Total contributions by and distributions to owners of the Company		**142**	**26,542**	**-**	**221,190**	**-**	**(268,124)**	**(20,250)**	**(10,922)**	**(31,172)**
Non-controlling interest arising on business combination	4	-	-	-	-	-	-	-	-	**-**
Acquisition of the non-controlling interest	4	**-**	**-**	**-**	**-**	**-**	2,312	2,312	(2,326)	**(14)**
Total transactions with owners of the Company, recognised directly in equity		**142**	**26,542**	**-**	**221,190**	**-**	**(265,812)**	**(17,938)**	**(13,248)**	**(31,186)**
Balance as at 31 December 2012		**51,802**	**60,747**	**-**	**241,489**	**34**	**38,883**	**392,955**	**23,241**	**416,196**

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Consolidated and Company's statements of changes in equity (cont'd)

Group	Notes	Equity attributable to equity holders of the parent								
					Reserves					
		Share capital	Share premium	Own shares	Legal and other reserves	Foreign currency translation reserve	Retained earnings (accumulated deficit)	Subtotal	Non - controlling interest	Total equity
Balance as at 31 December 2012		**51,802**	**60,747**	**-**	**241,489**	**34**	**38,883**	**392,955**	**23,241**	**416,196**
Currency translation differences		-	-	-	-	(96)	-	(96)	(24)	**(120)**
Share of other comprehensive income (loss) of associates - re-measurement gains (losses) on defined benefit plans		-	-	-	-	-	26	26	-	**26**
Share of other comprehensive income (loss) of associates		-	-	-	-		(4)	(4)	-	**(4)**
Net profit for the year 2013	9	-	-	-	-	-	107,275	107,275	1,257	**108,532**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**(96)**	**107,297**	**107,201**	**1,233**	**108,434**
Share of movements in equity of associates		-	-	-	-	-	512	512	-	**512**
Value of employee services		-	-	-	-	-	-	-	(344)	**(344)**
Dividends to non-controlling interests of subsidiaries		-	-	-	-	-	-	-	(311)	**(311)**
Disposal of subsidiaries		-	-	-	9	-	(9)	-	-	**-**
Changes in reserves	23	-	-	-	23	-	(23)	-	-	**-**
Acquired own shares	22	-	-	(72,658)	-	-	-	(72,658)	-	**(72,658)**
Decrease of share capital	22	(6,279)	-	51,845	(45,566)	-	-	-	-	**-**
Distribution as a result of split-off	3	(20,689)	(27,608)	-	(98,601)	-	(62,282)	(209,180)	(23,270)	**(232,450)**
Total contributions by and distributions to owners of the Company		**(26,968)**	**(27,608)**	**(20,813)**	**(144,135)**	**-**	**(61,802)**	**(281,326)**	**(23,925)**	**(305,251)**
Non-controlling interest arising on business combination	4	-	-	-	-	-	-	-	7	**7**
Acquisition of the non-controlling interest	4	**-**	**-**	**-**	**-**	**-**	(4)	(4)	(196)	**(200)**
Total transactions with owners of the Company, recognised directly in equity		**(26,986)**	**(27,608)**	**(20,813)**	**(144,135)**	**-**	**(61,806)**	**(281,330)**	**(24,114)**	**(305,444)**
Balance as at 31 December 2013		**24,834**	**33,139**	**(20,813)**	**97,354**	**(62)**	**84,374**	**218,826**	**360**	**219,186**

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Consolidated and Company's statements of changes in equity (cont'd)

					Reserves			
Company	**Notes**	**Share capital**	**Own shares**	**Share premium**	**Legal reserve**	**Reserve for acquisition of own shares**	**Retained earnings (accumula-ted deficit)**	**Total**
Balance as at 31 December 2011		**51,660**	**-**	**34,205**	**-**	**-**	**274,870**	**360,735**
Conversion of convertible bonds into share capital		5,898	-	26,542	-	-	6,098	**38,538**
Acquired own shares		-	(59,659)	-	-	-	-	**(59,659)**
Decrease of share capital		(5,756)	59,659	-	-	(53,903)	-	**-**
Changes in reserves	23	-	-	-	5,756	269,114	(274,870)	**-**
Total comprehensive income for the year		-	**-**	-	-	-	20,947	**20,947**
Balance as at 31 December 2012		**51,802**	**-**	**60,747**	**5,756**	**215,211**	**27,045**	**360,561**
Acquired own shares	22	-	(72,658)	-	-	-	-	**(72,658)**
Decrease of share capital	22	(6,279)	51,845	-	-	(45,566)	-	**-**
Distribution as a result of split-off	3	(20,689)	-	(27,608)	(2,616)	(77,100)	(80,897)	**(208,910)**
Total comprehensive income for the year		-	-	-	-	-	80,990	**80,990**
Balance as at 31 December 2013		**24,834**	**(20,813)**	**33,139**	**3,140**	**92,545**	**27,138**	**159,983**

(the end)

Consolidated and Company's statements of cash flows

	Notes	Group 2013	Group 2012 Restated	Company 2013	Company 2012
Cash flows from (to) operating activities					
Profit (loss) after tax from continuing operations		19,987	5,148	80,990	20,947
Profit after tax from discontinued operations		88,545	26,997	-	-
Net profit for the year		108,532	32,145	80,990	20,947
Adjustment to reconcile result after tax to net cash flows:					
Non-cash:					
Valuation (gain) loss, net	12	(10,736)	8,709	-	-
Depreciation and amortisation	11, 13	6,075	9,715	41	72
Loss (gain) on disposal of property, plant and equipment		37	(159)	-	-
Realized and unrealized loss (gain) on investments	6.1	(1,540)	(3,567)	(1,426)	(836)
Loss (gain) on disposal of subsidiaries and associates	4	(1,333)	(1,282)	517	1,052
Gain on the split-off	3	(85,363)	-	(68,071)	-
Share of net loss (profit) of associates and joint ventures	4	(5,425)	(8,665)	-	-
Interest income	6.3	(1,560)	(3,656)	(6,331)	(12,025)
Interest expenses	6.4	2,211	3,716	335	906
Deferred taxes	7	3,273	1,597	1,687	1,235
Current income tax expenses	7	352	1,587	4	-
Allowances	6.2	(3,610)	(793)	5,745	13,156
Change in provisions	27	(30)	(73)	-	-
Share based payment	23	(344)	(93)	-	-
Dividend income	6.3	(71)	(18)	(16,841)	(28,758)
Profit (loss) from bargain purchase		-	-	-	-
Loss (gain) from other financial activities		(29)	140	(24)	140
		10,439	39,303	(3,374)	(4,111)
Working capital adjustments:					
Decrease (increase) in inventories		(1,670)	(1,613)	-	-
Decrease (increase) in trade and other receivables		(3,087)	(2,824)	(3,215)	172
Decrease (increase) in other current assets		2	(804)	28	(32)
Increase (decrease) in trade payables		1,869	(6,104)	49	(563)
Increase (decrease) in other current liabilities		(90)	3,276	(45)	(553)
Transfer to/from restricted cash		(2,044)	(681)	-	-
Cash flows from (to) operating activities		**5,419**	**30,553**	**(6,557)**	**(5,087)**
Income tax paid		(199)	(554)	**(4)**	**-**
Net cash flows from (to) operating activities		**5,220**	**29,999**	**(6,561)**	**(5,087)**

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Consolidated and Company's statements of cash flows (cont'd)

		Group		Company	
		2013	2012	2013	2012
			Restated		
Cash flows from (to) investing activities					
Acquisition of non-current assets (except investment properties)		(6,076)	(17,506)	(46)	(21)
Proceeds from sale of non-current assets (except for investment properties)		42	383	(46)	-
Acquisition of investment properties	12	(4,464)	(3,427)	-	-
Proceeds from sale of investment properties	12	1,636	6,129	-	-
Acquisition and establishment of subsidiaries, net of cash acquired	4	(6)	-	(4,432)	-
Proceeds from sales of subsidiaries, net of cash disposed	4	(63)	-	74	-
Acquisition of associates and joint ventures	4	(12,070)	-	(12,070)	-
Proceeds from sales of associates and joint ventures	4	-	3,797	-	3,797
Cash of the subsidiaries left the Group in the split-off	3	(23,402)	-	-	-
Payment according to terms of split-off	3	(13,200)	-	(13,200)	-
Acquisition of loans	6.2	(7,769)	-	(7,769)	-
Loans granted		(9,905)	(30,825)	(19,402)	(65,081)
Repayment of granted loans		41,513	41,711	55,237	58,684
Transfer to/from term deposits		13,382	77,171	-	48,339
Dividends received	6.3	15,940	15	16,830	28,756
Interest received		1,332	4,928	3,299	3,329
Sale of financial assets designated at fair value through profit and loss on initial recognition	16	2,483	6,503	2,483	6,503
(Acquisition) of held-for-trading financial assets	16	(4,368)	(25,361)	(4,368)	(28,234)
Sale of held-for-trading financial assets	16	22,016	30,413	22,016	26,989
Net cash flows from (to) investing activities		**17,021**	**93,931**	**38,606**	**83,061**
Cash flows from (to) financing activities					
Cash flows related to company shareholders:					
Dividends paid to equity holders of the parent		(567)	(99)	(567)	(99)
Payments from bondholders upon conversion of bonds into share capital	22	-	4,788	-	4,788
(Acquisition) of own shares	22	(72,658)	(59,659)	(72,658)	(59,659)
(Acquisition) of non – controlling interest	4	(200)	(14)	-	(155)
Dividends paid to non – controlling interest		(311)	(9,817)	-	-
		(73,736)	(64,801)	(73,225)	(55,125)
Cash flows related to other sources of financing:					
Proceeds from loans		27,441	4,060	31,178	150
Repayment of loans		(23,193)	(25,009)	(20,599)	(1,217)
Interest paid		(2,202)	(2,929)	(438)	-
Finance lease payments		(204)	(388)	-	-
		1,842	(24,266)	10,141	(1,067)
Net cash flows to financial activities		**(71,894)**	**(89,067)**	**(63,084)**	**(56,192)**
Impact of currency exchange on cash and cash equivalents		**24**	**(117)**	**24**	**(140)**
Net increase (decrease) in cash and cash equivalents		**(49,629)**	**34,746**	**(31,015)**	**21,642**
Cash and cash equivalents at the beginning of the year	20	**56,092**	**21,346**	**33,530**	**11,888**
Cash and cash equivalents at the end of the year	20	**6,463**	**56,092**	**2,515**	**33,530**

(the end)

Notes to the financial statements

1. General information

AB Invalda LT (hereinafter the Company) is a public limited liability company registered in the Republic of Lithuania on 20 March 1992. The address of its registered office is:

Šeimyniškių str. 1A,
Vilnius,
Lithuania.

The Company is incorporated and domiciled in Lithuania. AB Invalda LT is one of the major asset management companies in Lithuania whose primary objective to steadily increase the investor equity value. For the purpose of achieving this objective the Company actively manages its investments, exercising control or significant influence over target businesses. The Company gives the priority to furniture manufacturing, real estate, agricultural land, agriculture, information technology (IT) infrastructure and facility management segments.

In respect of each business the Company defines its performance objectives, sets up the management team, participates in the development of the business strategy and monitors its implementation. The Company plays an active role in making the decisions on strategic and other important issues that have an effect on the value of the Group companies.

The Company's shares are traded on the Baltic Main List of NASDAQ OMX Vilnius.

On 31 May 2013 was completed split-off of the Company and as consequence approximately 45.45 % of the total assets, liabilities and the equity were transferred to AB Invalda Privatus Kapitalas (Note 3). Therefore, the shareholders structure has changed.

As at 31 December 2013 and 2012 the shareholders of the Company were (by votes)*:

	2013		2012	
	Number of votes held	Percentage	Number of votes held	Percentage
UAB LJB Investments	6,939,824	30.44%	-	-
Mrs. Irena Ona Mišeikiene	6,588,732	28.90%	12,434,159	24.00%
UAB Lucrum Investicija	5,145,647	22.57%	3,836,621	7.41%
Mr. Alvydas Banys	1,750,000	7.68%	2,029,624	3.92%
Mrs. Indrė Mišeikytė	455,075	2.00%	-	-
Mr. Vytautas Bučas	-	-	8,198,367	15.83%
Mr. Algirdas Bučas	-	-	4,234,709	8.18%
Mr. Darius Šulnis	-	-	3,984,762	7.69%
UAB RB finansai	-	-	3,279,972	6.33%
Mrs. Daiva Banienė	-	-	1,836,234	3.54%
Other minor shareholders	1,918,019	8.41%	11,967,698	23.10%
Total	22,797,297	100.00%	51,802,146	100.00%

* Some shareholders have sold part of their shares under repo agreement (so do not hold the legal ownership title of shares), but they retained the voting rights of transferred shares.

All the shares of the Company are ordinary shares with the par value of LTL 1 each and were fully paid as at 31 December 2013 and 2012. Subsidiaries, joint ventures and associates did not hold any shares of the Company as at 31 December 2013 and 2012.

As at 31 December 2013 the number of employees of the Group was 497 (as at 31 December 2012 –1,051). As at 31 December 2013 the number of employees of the Company was 10 (as at 31 December 2012 – 13).

The financial statements were approved and signed by the Management and the Board of Directors on 7 April 2014.

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

1 General information (cont'd)

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

Company	Registration country	As at 31 December 2013 Share of the stock held by the Group (%)	As at 31 December 2013 Size of investment (acquisition cost)	As at 31 December 2012 Share of the stock held by the Group (%)	As at 31 December 2012 Size of investment (acquisition cost)	Main activities
Furniture production segment:						
AB Vilniaus Baldai	Lithuania	-	-	72.14	13,900	Furniture manufacturing
UAB Ari-Lux**	Lithuania	-	-	72.14	17	Fitting packing
Real estate segment:						
AB Invaldos Nekilnojamojo Turto Fondas	Lithuania	100.00	116,908	100.00	116,908	Real estate investor
UAB Naujoji Švara****	Lithuania	-	-	100.00	26,528	Real estate investor
UAB INTF Investicija**	Lithuania	100.00	4,282	100.00	4,282	Real estate investor
UAB Sago	Lithuania	100.00	6,972	100.00	6,972	Real estate investor
UAB Ineturas****	Lithuania	-	-	100.00	10,200	Real estate investor
UAB Elniakampio Namai****	Lithuania	-	-	100.00	725	Real estate investor
UAB IBC Logistika****	Lithuania	-	-	100.00	15,000	Real estate investor
UAB Saistas****	Lithuania	-	-	100.00	3,648	Real estate investor
UAB Dizaino Institutas****	Lithuania	-	-	100.00	2,677	Real estate investor
UAB Riešės Investicija****	Lithuania	-	-	100.00	6,500	Real estate investor
UAB Minijos Valda****	Lithuania	-	-	100.00	1,050	Real estate investor
UAB Rovelija	Lithuania	100.00	600	100.00	600	Real estate investor
UAB BNN****	Lithuania	-	-	100.00	3,090	Real estate investor
UAB Justiniškių Valda**,****	Lithuania	-	-	100.00	960	Real estate investor
UAB Justiniškių Aikštelė**,****	Lithuania	-	-	100.00	405	Real estate investor
UAB Trakų Kelias****	Lithuania	-	-	100.00	512	Real estate investor
UAB Perspektyvi Veikla**,****	Lithuania	100.00	180	100.00	180	Real estate investor
UAB Kopų Vėtrungės**,****	Lithuania	-	-	100.00	4,000	Real estate investor
UAB Danės Gildija**,****	Lithuania	-	-	100.00	7,980	Real estate investor
UAB Aikstentis****	Lithuania	-	-	100.00	108	Dormant
UAB Inreal****	Lithuania	-	-	100.00	3,801	Intermediation in operation with real estate, property valuation
UAB Inreal Valdymas****	Lithuania	-	-	100.00	10,049	Real estate management and administration
UAB Inreal Geo****	Lithuania	-	-	100.00	10	Geodesy, cadastral measurements and territory planning
Agricultural land segment:						
UAB Ekotra	Lithuania	-	-	100.00	1,750	Agricultural land investor
UAB Šimtamargis****	Lithuania	-	-	100.00	300	Agricultural land investor
UAB Žemvesta****	Lithuania	-	-	100.00	950	Agricultural land investor
UAB Agrobitė**	Lithuania	-	-	100.00	700	Agricultural land investor
UAB Puškaitis**	Lithuania	-	-	100.00	340	Agricultural land investor
UAB Žemynėlė**	Lithuania	-	-	100.00	900	Agricultural land investor
UAB Žemėpatis**,****	Lithuania	-	-	100.00	610	Agricultural land investor
UAB IŽB 1**,****	Lithuania	-	-	100.00	930	Agricultural land investor
UAB Lauksėja**,****	Lithuania	-	-	100.00	300	Agricultural land investor
UAB Avižėlė*	Lithuania	100.00	217	-	-	Agricultural land investor
UAB Beržytė*	Lithuania	100.00	164	-	-	Agricultural land investor
UAB Dirvolika*	Lithuania	100.00	643	-	-	Agricultural land investor
UAB Duonis*	Lithuania	100.00	437	-	-	Agricultural land investor

(cont'd in the next page)

1 General information (cont'd)

Company	Registration country	31 December 2013 Share of the stock held by the Group (%)	31 December 2013 Size of investment (acquisition cost)	31 December 2012 Share of the stock held by the Group (%)	31 December 2012 Size of investment (acquisition cost)	Main activities
Agricultural land (cont'd):						
UAB Ekotra* (former UAB Vilkaviškio Ekotra)	Lithuania	100.00	323	-	-	Agricultural land investor
UAB Kvietukas* (former UAB Pakruojo Kvietukas)	Lithuania	100.00	235	-	-	Agricultural land investor
UAB Laukaitis* (former UAB Pakruojo Laukaitis)	Lithuania	100.00	243	-	-	Agricultural land investor
UAB Lauknešys* (former UAB Pasvalio Lauknešys)	Lithuania	100.00	160	-	-	Agricultural land investor
UAB Linažiedė*	Lithuania	100.00	232	-	-	Agricultural land investor
UAB Pušaitis*	Lithuania	100.00	163	-	-	Agricultural land investor
UAB Puškaitis* (former UAB Marijampolės Puškaitis) *	Lithuania	100.00	342	-	-	Agricultural land investor
UAB Sėja*	Lithuania	100.00	189	-	-	Agricultural land investor
UAB Vasarojus* (former UAB Panevėžio Vasarojus)	Lithuania	100.00	954	-	-	Agricultural land investor
UAB Žalvė*	Lithuania	100.00	468	-	-	Agricultural land investor
UAB Žemgalė* (former UAB Kupiškio Žemgalė)	Lithuania	100.00	488	-	-	Agricultural land investor
UAB Žemynėlė* (former UAB Vilkaviškio Žemynėlė)	Lithuania	100.00	134	-	-	Agricultural land investor
UAB Žiemkentys* (former UAB Pasvalio Žiemkentys)	Lithuania	100.00	710	-	-	Agricultural land investor
Information technology segment:						
UAB BAIP Grupė	Lithuania	80.00	4,003	80.00	4,003	Information technology solutions
UAB Informatikos Pasaulis**	Lithuania	80.00	939	80.00	939	Information technology solutions
UAB Vitma**	Lithuania	80.00	8,357	80.00	8,357	Information technology solutions
UAB BAIP**	Lithuania	80.00	3,942	80.00	3,942	Information technology solutions
UAB Acena**	Lithuania	80.00	137	80.00	137	Information technology solutions
Norway Registers Development AS**	Norway	80.00	4,298	80.00	4,298	Information technology solutions
UAB NRD**	Lithuania	61.20	1,059	56.95	859	Information technology solutions
NRD EA	Tanzania	56.00	12	-	-	Information technology solutions
UAB NRD CS*	Lithuania	80.00	10	-	-	Information technology solutions
Facility management segment:						
UAB Inservis (former UAB Inreal Pastatų Priežiūra)	Lithuania	100.00	500	100.00	500	Facilities management
UAB IPP Integracijos Projektai**	Lithuania	100.00	10	100.00	10	Facilities management
UAB Cmanagement	Lithuania	-	-	100.00	367	Maintenance services
UAB Priemiestis**	Lithuania	100.00	2,157	100.00	2,157	Facilities management
UAB Jurita**	Lithuania	100.00	1,154	100.00	1,154	Facilities management

(cont'd in the next page)

1 General information (cont'd)

		31 December 2013		31 December 2012		
Company	**Registration country**	**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)**	**Main activities**
Facilities management segment: (cont'd):						
UAB Naujosios Vilnios Turgavietė**	Lithuania	100.00	94	100.00	94	Market place management
Other production and services segment (cont'd):						
UAB Kelio Ženklai	Lithuania	100.00	6,554	100.00	6,554	Road signs production, wood manufacturing
UAB Lauko Gėlininkystės Bandymų Stotis**,****	Lithuania	-	-	100.00	1,411	Cultivation and trade of ornamental plants, flowers
VšĮ Iniciatyvos Fondas	Lithuania	100.00	10	100.00	10	Social initiatives activities
UAB Finansų Rizikos Valdymas	Lithuania	54.55	1,831	100.00	3,357	Investment activities
UAB Fortina***,****	Lithuania	-	-	100.00	4,350	Investment activities
UAB Ente****	Lithuania	-	-	100.00	320	Investment activities
UAB Aktyvo	Lithuania	54,55	513	100.00	940	Management of bad debt
UAB Investicijų Tinklas****	Lithuania	-	-	100.00	1,850	Investment activities
UAB Aktyvus Valdymas	Lithuania	100.00	701	100.00	1,500	Investment activities
UAB Įmonių Grupė Inservis (former UAB Inreal Pastatų Priežiūros Grupė)	Lithuania	100.00	1,050	100.00	1,350	Investment activities
UAB Cedus Invest	Lithuania	-	-	100.00	10,000	Investment activities
AB Invetex**,****	Lithuania	-	-	83.90	5,624	Investment activities
UAB MGK Invest	Lithuania	100.00	25	100.00	10	Dormant
UAB MBGK**	Lithuania	100.00	4,720	100.00	4,720	Dormant
UAB RPNG	Lithuania	100.00	10	100.00	10	Dormant
UAB Regenus	Lithuania	100.00	10	100.00	10	Dormant
UAB Consult Invalda	Lithuania	100.00	10	100.00	10	Dormant
UAB Cedus	Lithuania	100.00	10	100.00	10	Dormant
UAB Via Solutions***	Lithuania	-	-	100.00	10	Dormant
Invalda Lux S.A.R.L	Luxembourg	-	-	100.00	224	Dormant
			177,160		315,969	
Less indirect ownership			(31,351)		(58,556)	
Less impairment			(93,322)		(159,294)	
Investments into subsidiaries (Company)			52,487		98,119	

(the end)

*These companies were newly established in 2013.
**These companies are owned indirectly by the Company as at 31 December 2013 and/or 2012.
***The Company has invested LTL 1,100 thousand directly and LTL 3,250 thousand indirectly.
****The Company had left the Group during split-off

1 General information (cont'd)

As of 31 December 2013 and 2012 investments into real estate segment subsidiaries were impaired by LTL 85,759 thousand and LTL 150,743 thousand, into other segments' companies by LTL 7,563 thousand and LTL 8,551 thousand, respectively.

The subsidiaries UAB Invaldos Nekilnojamojo Turto Fondas, UAB Sago, UAB INTF Investicija have no right to repay loans granted by the Group without bank consent according to borrowings agreements and UAB BAIP and UAB NRD has no right to pay dividends without bank consent. UAB Sago and UAB INTF Investicija are allowed to distribute up to 50 % of net profit as dividends without bank consent. UAB Invaldos Nekilnojamojo Turto Fondas is allowed to pay dividends only if covenants would be met after repayment.

Associates of the Group as at 31 December 2013 were as follows (amounts provided below relate to 100 % of these entities):

Company	Share of the stock held by the Group (%)	Size of investment (acquisition cost)	Profit (loss) for the reporting Year	Assets	Share-holders' equity	Liabilities	Revenue	Main activities
UAB Litagra*	20.12	19,579	9,376	353,069	150,051	203,018	452,532	Agriculture
AB Vilniaus Baldai	45.40	19,653	8,149	169,430	127,396	42,033	166,116	Furniture production
		39,232						
Less indirect ownership		(19,579)						
Investment into associates (Company)		19,653						

Associates of the Group as at 31 December 2012 were as follows (amounts provided below relate to 100 % of these entities):

Company	Share of the stock held by the Group (%)	Size of investment (acquisition cost)	Profit (loss) for the reporting Year	Assets	Share-holders' equity	Liabilities	Revenue	Main activities
UAB Litagra*	36.88	38,575	19,341	344,648	145,591	199,057	429,221	Agriculture
UAB ŽVF Projektai	21.46	2	127	126	-	126	-	Investment property
		38,577						
Less indirect ownership		(38,575)						
Less impairment		(2)						
Investment into associates (Company)		-						

*The associate is owned indirectly by the Company as at 31 December 2013 and 2012.

The information provided in the tables above reflects the respective amounts presented in the financial statements of the associates (and not the Group's share of these amounts) adjusted for the differences in accounting policies of the Group and the associates' and for the differences arising from fair value adjustments recognised during acquisition accounting.

The market value of AB Vilniaus Baldai shares was LTL 85,290 thousand as at 31 December 2013.

The Group had a 50 % interest in the jointly controlled entity UAB Dommo Nerija as at 31 December 2012 (owned directly by the Company). As at 31 December 2013 the Group has a 54.55 % interest in the jointly controlled intermediate special purpose entity UAB Cedus Invest, which owns UAB Litagra shares.

The Company's interest in jointly controlled entities as at 31 December 2013 and 2012 amounted to LTL 5,455 thousand (not impaired) and LTL 685 thousand (after impairment of LTL 365 thousand), respectively.

1 General information (cont'd)

The share of the assets, liabilities, income and expenses of UAB Dommo Nerija as at 31 December 2012 and for the years then ended are as follows (amounts stated relate to 100 % of the entity):

	2012
Current assets	60
Non-current assets	7,270
Total assets	**7,330**
Current liabilities	5,947
Non-current liabilities	14
Total liabilities	**5,961**
Revenue	452
Expenses	(540)
Profit (loss) before income tax	(88)
Income tax	13
Net profit (loss) for the period	**(75)**

2. Summary of significant accounting policies

The principal accounting policies applied in preparing the Group's and the Company's financial statements for the year ended 31 December 2013 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, except for investment properties, financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss and available-for-sale investments that have been measured at fair value. 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 has adopted the new and amended IFRS and IFRIC interpretations as of 1 January 2013:

– IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* effective 1 July 2012
– IAS 19 *Employee Benefits (Amendment)* effective 1 January 2013
– IAS 12 *Deferred Tax: Recovery of Underlying Assets* effective 1 January 2013 in the EU
– IFRS 13 *Fair value measurement* effective 1 January 2013
– IFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* effective 1 January 2013
– Improvements to IFRS (issued in May 2012) effective 1 January 2013
– Amendments to IAS 36 - *Recoverable amount disclosures for non-financial assets* effective 1 January 2014 (early adopted)

The principal effects of these changes are as follows:

Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

The amendments change the disclosure of items presented in other comprehensive income. They require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'. The amended standard resulted in changed presentation of Group's financial statements, but did not have any impact on measurement of transactions and balances.

IAS 19 *Employee Benefits (Amendment)*

The amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The Group has to recognise all actuarial gains and losses in other comprehensive income, not in the profit or loss as was done before. The retrospective application impact was not material to these financial statements and the Group reclassified accumulated amount of these remeasurements from "Employee benefits" to "Other comprehensive income that will not be reclassified to profit or loss" for the year ended 31 December 2012.

Amendments to IAS 12 *Deferred Tax: Recovery of Underlying Assets*

The amendment introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. SIC-21, Income Taxes – Recovery of Revalued Non-Depreciable Assets, which addresses similar issues involving non-depreciable assets measured using the revaluation model in IAS 16, Property, Plant and Equipment, was incorporated into IAS 12 after excluding from its scope investment properties measured at fair value. The amendment had no impact on the Group's financial statements for the year ended 31 December 2013, as there are no differences in the income tax rates.

IFRS 13 *Fair value measurement*

IFRS 13 aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Standard resulted in additional disclosures in these consolidated financial statements (see Notes 12, 15), but had no impact on the Group's measurement of transactions and balances.

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

Amendments to IFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*

The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amendment had no impact on the Company's and Group's financial statements for the year ended 31 December of 2013.

<u>Improvements to IFRS</u> (issued in May 2012)

The improvements consist of changes to five standards.

- IFRS 1 *First–time adoption of International Financial Reporting Standards* was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23, *Borrowing costs*, retrospectively by first-time adopters.
- IAS 1 *Presentation of Financial Statements* was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements.
- IAS 16 *Property, Plant and Equipment* was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory.
- IAS 32 *Financial Instruments: Presentation* was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12.
- IAS 34 *Interim Financial Reporting* was amended to bring its requirements in line with IFRS 8. IAS 34 will require disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual financial statements.

The amendments had no impact on the Company's and Group's financial statements for the year ended 31 December 2013.

Amendments to IAS 36 - *Recoverable amount disclosures for non-financial assets*

The amendments remove the requirement to disclose the recoverable amount when a cash- generating unit (CGU) contains goodwill or indefinite lived intangible assets but where there has been no impairment. The Group early adopted this amendment in 2013 and had not disclosed the recoverable amount of the information technology segment CGU containing goodwill in these financial statements.

The following amendments of the standards and interpretations were effective, but are not relevant for the Group:

– Amendments to IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* effective 1 January 2013
– IFRIC 20 *Striping Costs in the Production Phase of a Surface Mine* effective 1 January 2013
– Amendments to IFRS 1 *Government Loans* effective 1 January 2013

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

Standards adopted by the EU but not yet effective

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

IFRS 10 replaces all of the guidance on control and consolidation in IAS 27 *Consolidated and separate financial statements* and SIC-12 *Consolidation - special purpose entities*. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Group is not expecting that the changes of the definition of control would have an impact on its consolidation structure.

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

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities—Non-Monetary Contributions by Ventures*. Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The Group has used equity accounting for the interests in joint ventures already. The Group is currently assessing the full impact of the other changes resulting from new standard on its financial statements, but has no indication that the standard would have material impact on the Group's financial statements.

IFRS 12 *Disclosure of Interest in Other Entities* (effective for annual periods beginning on or after 1 January 2014)

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 sets out the required disclosures for entities reporting under the two new standards: IFRS 10, *Consolidated financial statements*, and IFRS 11, *Joint arrangements*, and replaces the disclosure requirements currently found in IAS 28, *Investments in associates*. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Group is currently assessing the impact of the new standard on its financial statements.

IAS 27 *Separate Financial Statements* (effective for annual periods beginning on or after 1 January 2014)

IAS 27 was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10 *Consolidated Financial Statements*. The Company is currently assessing the impact of the amended standard on its financial statements, but has no indication that the standard would have a material impact on the financial statements.

IAS 28 *Investments in Associates and Joint Ventures* (effective for annual periods beginning on or after 1 January 2014)

The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged. The Group has no indication that the standard would have an impact on measurement of items in its financial statements, but will have an impact on disclosures.

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

The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The Group is currently assessing the impact of the amended standard on its financial statements.

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

Standards adopted by the EU but not yet effective (cont'd)

Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective for annual periods beginning on or after 1 January 2014).

The amendments clarify the transition guidance in IFRS 10 *Consolidated Financial Statements*. Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2013 for a calendar year-end entity that adopts IFRS 10 in 2014) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11, *Joint Arrangements*, and IFRS 12, *Disclosure of Interests in Other Entities*, by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments will remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied. The Group is currently assessing the impact of the amendments on its financial statements, but has no indication that the amendments would have material impact on the Group financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 - *Investment entities* (effective for annual periods beginning on or after 1 January 2014).

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 subsidiary. The Group is currently assessing the impact of the amendments on its financial statements, analysing whether it could apply investment entity definition and related exemption. Management has made judgement that the Group has not met all requirements to be an investment entity starting from 1 January 2014, but the Group might be meeting these requirements after intended reorganisation of its structure and activities in the future (see Note 32).

Amendments to IAS 39 - *Novation of Derivatives and Continuation of Hedge Accounting* (effective for annual periods beginning 1 January 2014).

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.

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

Standards not yet adopted by the EU

IFRS 9 *Financial Instruments Part 1: Classification and Measurement* (effective voluntary)

Key features of the standard issued in November 2009 and amended in October 2010, December 2011 and November 2013 are:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated as at fair value through profit or loss in other comprehensive income.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The amendments made to IFRS 9 in November 2013 removed its mandatory effective date, thus making application of the standard voluntary. In subsequent phases, the IASB will address impairment of financial assets. The Group does not intend to adopt the existing version of IFRS 9, unless all phases are passed and standard adopted by EU.

IFRIC 21 - *Levies* (effective for annual periods beginning 1 January 2014 once adopted by the EU).

The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The Group is currently assessing the likely impact of the interpretation on its financial statements.

Amendments to IAS 19 – *Defined benefit plans: Employee contributions* (effective for annual periods beginning 1 July 2014 once adopted by the EU).

The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The Group is currently assessing the likely impact of the amendment on its financial statements.

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

Standards not yet adopted by the EU (cont'd)

Annual Improvements to IFRSs 2012 (effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below, once adopted by the EU).

The improvements consist of changes to seven standards.
- IFRS 2 was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.
- IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014.
- IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported.
- The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial.
- IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.
- IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided.

The Group is currently assessing the impact of the amendments on its financial statements.

Annual Improvements to IFRSs 2013 (effective for annual periods beginning on or after 1 July 2014 once adopted by the EU)

The improvements consist of changes to four standards.
- The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.
- IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.
- The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9.
- IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

The Group is currently assessing the impact of the amendments on its financial statements.

The following new standard is not relevant for the Group:

- IFRS 14 *Regulatory Deferral Accounts* (effective for annual periods beginning on or after 1 January 2016 once adopted by the EU)

2 Summary of significant accounting policies (cont'd)

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 recognised 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 any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Total comprehensive income (losses) within a subsidiary are 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 remeasured 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	8-15 years
Machinery and equipment	5 years
Vehicles	4–10 years
Other non-current assets	3–6 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.

Construction in progress represents plant and properties under construction and is stated at cost. This includes the cost of construction, plant and equipment and other direct costs. Construction in progress is not depreciated until the relevant assets are completed and are available for its intended use.

2 Summary of significant accounting policies (cont'd)

2.5. Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the companies in the consolidated Group, are classified as investment properties. Investment properties also include properties that are being constructed or developed for future use as investment properties.

Land held under operating leases is classified and accounted for by the Group as investment property when the rest of the definition of investment property is met. Land is not presented separately from the buildings as these assets cannot be acquired or sold separately.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement within "Net gains (losses) from fair value adjustments on investment property" in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with view to sale.

For a transfer from investment property to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy adopted for property, plant and equipment up to the date of change in use. For a transfer from inventories to investment property, any differences between fair value of the property at that date and its previous carrying amount are recognised in the income statement.

2 Summary of significant accounting policies (cont'd)

2.6. 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 and the dwelling-houses facilities management and the market management contracts acquired during dwelling-houses facilities management's entity acquisition. Customer relationship was acquired during information technology solutions entities acquisition.

Contracts and customer relationship assured 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, the dwelling-houses facilities management contracts are amortised during 2.5 - 5 years, the market management contract – 11 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 originally assessed standard of 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.

2.7. 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 acquisition-date fair value of any previous equity interest in the acquiree 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)

2.7 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.

2.8. Investments in associates (the Group)

The Group's investments in its associates are accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence, generally accompanying a shareholding of between 20 % and 50 % of the voting rights.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised in the other comprehensive income of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the other comprehensive income. Group's share in the changes in the net assets of the associate that are not recognised in profit or loss or other comprehensive income (OCI) of the associate, are recognised in equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances. After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss of the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case the Group calculates the amount of impairment as being the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the income statement. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

2.9. Investments in joint ventures (the Group)

The Group has an interest in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest. The Group recognises its interest in the joint venture using the equity method in the consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting year as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

Upon loss of joint control the Group measures and recognises its remaining investment at its fair value. Any difference between the carrying amount of the former joint controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal is recognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

2 Summary of significant accounting policies (cont'd)

2.10. Investments in subsidiaries, associates and joint ventures (the Company)

Investments in subsidiaries, associates and joint ventures in the Company's stand-alone financial statements are carried at cost, less impairment. The Company assesses at each reporting date whether there is an indication that investments in subsidiaries, associates and joint ventures may be impaired. If any such indication exists, the Company makes an estimate of the investment's recoverable amount. The impairment test is performed as outlined in Note 2.12, and in addition the market value of debt is deducted from the recoverable amount.

When the group ceases to have control over subsidiary any retained interest in the entity is not remeasured to its fair value at the date when control is lost, but the retained interest in an associate is carried at historical cost less impairment in Company's stand-alone financial statements.

2.11. Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

In the consolidated income statement of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing activities as a single amount as profit or loss after tax from discontinued operations in the income statement, even when the Group retains a non-controlling interest in the subsidiary after the sale, e.g. subsidiary becomes an associate.

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

2.12. Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group 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 recognised 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:

<u>Goodwill</u>

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)

2.13. Biological assets

Biological assets are measured on initial recognition and at each reporting date at its fair value less estimated cost to sell, except for the case where the fair value cannot be measured reliably on initial recognition. Agricultural produce harvested from the Group's biological assets is measured at its fair value less estimated cost to sell at the point of harvest and subsequently recorded as inventories.

Biological assets of associate of the Group consist of livestock and crops.

Livestock is measured at fair value less estimated cost to sell. Fair value is determined using current market value of livestock groups or market values of similar groups of livestock by age, breed and adjusting them accordingly, if necessary.

Crops are measured at their fair value less estimated cost to sell. At initial recognition the crops are measured at the cost as the market-determined values are not available for such biological assets. At year-end the crops are measured at the cost as little biological transformation has taken place since the costs were originally incurred. In the subsequent periods when major biological transformation has taken place since the costs were originally incurred, the fair value of crops is measured using the comparable market prices of agricultural produce harvested from crops, adjusted by expected productivity and estimate of expenses which would be incurred from reporting date until the harvest.

2.14. 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.

<u>Financial assets at fair value through profit or loss</u>

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 within "Net change in fair value of financial instruments at fair value through profit or loss". Interest on debt securities at fair value through profit or loss is recognized within other income based on the effective interest rate. Dividends earned on investments are recognised in the income statement as other income when the right of payment has been established. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

2 Summary of significant accounting policies (cont'd)

2.14 Financial assets (cont'd)

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. The group's loans and receivables comprise 'loans granted', 'trade and other receivables', 'deposits', 'restricted cash' and 'cash and cash equivalents' in the statement of financial position (see Notes 17, 19, 20, 21).

Available-for-sale financial instruments

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of other categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses being recognised as other comprehensive income in the fair value reserve. When the investment is disposed of, the cumulative gain or loss previously accumulated in equity is recognised in the income statement. Interest earned on the investments is reported as interest income or expense using the effective interest rate. Dividends earned on investments are recognised in the income statement as other income when the right of payment has been established. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Unquoted ordinary shares, which fair value cannot be measured reliably, are measured at cost.

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.

2.15. Derivative financial instruments and hedge accounting

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge are taken directly to the income statement.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

As at 31 December 2013 and 2012 the Group has not use any derivatives to hedge risks.

2 Summary of significant accounting policies (cont'd)

2.15 Derivative financial instruments and hedge accounting (cont'd)

Current versus non-current classification

Derivative instruments that are not a designated and effective hedging instrument are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows):

- where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting), for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current or separated into current and non-current portions) consistent with the classification of the underlying item;
- derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

2.16. Impairment of financial assets

Assets carried at amortised cost

The Group assesses at each reporting date whether 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 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 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 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 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.

2 Summary of significant accounting policies (cont'd)

2.16 Impairment of financial assets (cont'd)

Available-for-sale financial investments

The group 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 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.

2.17. Inventories

Raw materials, finished goods and work in progress

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. Costs incurred in bringing each product to its present location and condition are estimated as follows:

- raw materials - purchase cost using FIFO method;
- finished goods and work in progress - cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity and including borrowing costs, where applicable.

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.

Residential real estate

Properties initially acquired for development and subsequent resale are initially recognised at the cost of purchase. The cost of residential real estate comprises construction costs and other direct cost related to property development, including borrowing costs. Investment properties that are started developed for future sale are reclassified as inventories at their cost, which is the carrying amount at the date of reclassification. Inventories are subsequently carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less cost to complete redevelopment and selling expenses. Residential real estate include assets that are sold as part of the normal operating cycle even when they are not expected to be realised within twelve months after the reporting date.

2.18. 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.

2.19. 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.

The cash or short-term deposits, which use is restricted, are presented in caption 'restricted cash' in the statement of financial position (see Note 21).

2 Summary of significant accounting policies (cont'd)

2.20. 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:

<u>Trade payables</u>

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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

<u>Borrowings</u>

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 has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.21. Derecognition of financial assets and liabilities

<u>Financial assets</u>

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

→the rights to receive cash flows from the asset have expired;
→the Group 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 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 continuing involvement in the asset.

In that case, the Group 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 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 could be required to repay.

<u>Financial liabilities</u>

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 Summary of significant accounting policies (cont'd)

2.22. Compound financial instruments

Compound financial instruments issued by the group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

2.23. 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 dependant 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).

<u>Financial lease</u>

Group as a lessee

Finance leases, which transfer to the Group 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 will obtain ownership by the end of the lease term.

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.

<u>Operating lease</u>

Group 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.

Group 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 Summary of significant accounting policies (cont'd)

2.24. Revenue recognition

The group 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.

Disposal of investments

Gain (loss) from sale of investment is recognised when the significant risk and rewards of ownership of the investment have passed to the buyer and are recognised within operating activity, as the parent company treats the securities trading as its main activity.

Sales of services and long-term contracts

The Group sells information technology infrastructure and facility management services to the customers. 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.

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 provides incentives to its tenants, the cost of incentives is recognised over lease term, on a straight-line 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 right to receive the payment is established.

2.25. Cash and non-cash distribution to equity holders of the parent

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 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.

2.26. 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 Summary of significant accounting policies (cont'd)

2.27. 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.

The standard income tax rate in Lithuania was 15 % in 2013 and in 2012. 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.

The standard income tax rate in Norway is 28 %. The standard income tax rate in Tanzania is 30 %.

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)

2.28. 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 recognized 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.

2.29. 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).

2.30. Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Board of Directors that makes strategic decisions.

2.31. 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 Summary of significant accounting policies (cont'd)

2.32. Employee benefits

Social security contributions

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

Pension and anniversary obligations

The Group's subsidiary AB Vilniaus Baldai (from 31 May 2013 became an associate) has collective labour agreement. According to the agreement each employee has right to receive age and seniority anniversary benefit and 2 – 3 month an amount on retirement subject to years of service. This is the unfunded defined benefit pension plan. The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period. The cost of providing benefits under this plan is determined using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in full in the period in which they occur in other comprehensive income and are not reclassified to profit or loss in subsequent periods. Past-service costs are recognised immediately as expenses. Service costs and net interest expenses related to the pension and anniversary obligations are recognised within "employee benefits expenses".

2.33. Share - based payments

The group 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.

2 Summary of significant accounting policies (cont'd)

2.33 Share - based payments (cont'd)

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.

2.34. 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.

2.35. 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.

2.36. Comparative figures

The comparative figures of the consolidated income statements for the year 2012 were changed due to reason that results of furniture production segment were presented as discontinued operation. As a result of the amendment of IAS 19 the re-measurements gains (losses) on defined benefit plans for the year 2012 were presented in other comprehensive income that will not be reclassified to profit or loss in the subsequent periods, not in the income statement. Therefore, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows were amended for the year ended 31 December 2012.

2.37. 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.

2 Summary of significant accounting policies (cont'd)

2.37 Significant accounting judgements and estimates (cont'd)

Judgements

In the process of applying the Group accounting policies, management has made the following judgement, which has most significant effect on the amounts recognised in the consolidated financial statements:

Accounting of split-off

Management has made a judgement that split-off completed in 2013 had to be accounted according to IFRIC 17 „Distribution of Non-cash Assets to Owners“, that is recognising a profit or loss arising from the difference between the carrying amount of the split-off liability (measured at the fair value of the assets to be distributed) and the carrying amount of the transferred assets in the income statement, and not accounting for the transfer of assets at carrying amounts. IFRIC 17 includes an exemption that the Interpretation does not apply to a distribution of a non-cash asset that is ultimately controlled by the same party or parties before and after the distribution. During the split-off part of major shareholders had not retained proportionate stakes in the Company and newly separated entity, therefore this exemption could not be applied.

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.

Fair value of the distributed assets due to split-off

Management has made estimates of the fair value of transferred assets during the split-off. More detailed is described in Note 3.

Fair value of investment properties

Fair value of investment properties was based either on the market approach by reference to sales in the market of comparable properties or the income approach by reference to rentals obtained from the subject property or similar properties. Market approach refers to the prices of the analogues transactions in the market. These values are adjusted for differences in key attributes such as property size and quality of interior fittings. Discounted cash flow projections in the income approach are based on estimates of future cash flows, supported by the terms of any existing lease and other contracts and by external evidence such as current (at the date of the statement of financial position) market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. The future rental rates were estimated depending on the actual location, type and quality of the properties, and taking into account market data and projections at the valuation date.

The fair value of the investment properties as at 31 December 2013 was LTL 180,548 thousand (as at 31 December 2012 – LTL 225,587 thousand), from which the fair value of the investment properties valued using the sales comparison approach was LTL 36,798 thousand and fair value of the investment properties valued using income approach was LTL 143,750 thousand (2012: LTL 61,885 thousand and LTL 163,702 thousand, respectively) (described in more details in Note 12).

Impairment of investments in subsidiaries

The Company assesses at each reporting date whether there is an indication that investments in subsidiaries, associates and joint ventures may be impaired. Each investment is considered individually. If any such indication exists, the Company makes an estimate of the recoverable amount of investment. The recoverable amounts of investments have been determined based on value in use calculations. The value in use was based on the estimated future net cash flows of the underlying entities that are attributable to the Company's interest. These calculations require the use of estimates (Note 4).

2 Summary of significant accounting policies (cont'd)

2.37 Significant accounting judgements and estimates (cont'd)

Estimates and assumptions (cont'd)

Impairment of loans granted and 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). Carrying amounts of loans and receivables are disclosed in Notes 17 and 19.

Impairment of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.12. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 13).

Useful lives of contracts and customer relationship

The useful lives of contracts and customer relationship acquired through business combinations are disclosed in Note 2.6 and amortisation charge for the year is disclosed in Note 13. The useful lives are determined by management at the time the asset is acquired and reviewed on an annual basis for appropriateness. The lives are based on historical experiences with similar assets as well as anticipation of future events, which may impact their life. If the estimated useful lives of contracts and customer relationship have been one year shorter, the annual amortisation charge would have increased by LTL 556 thousand for the year ended 31 December 2013.

Deferred income tax assets

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and amount of future taxable profits together with future tax planning strategies.

Deferred income tax asset is recognized on individual company basis taking into account future performance plans of those companies. For the loss making Group entities other than the Company, deferred tax asset is recognized only to the extent deferred tax liability was available and the realization period allows offsetting. No deferred tax asset is recognized from tax losses carry forward of LTL 16,054 thousand as 31 December 2013 (as at 31 December 2012 – LTL 23,162 thousand) due to future uncertainties related with the performance of those companies. As at 31 December 2013 the Company has not recognised deferred tax asset from LTL 6,177 thousand tax losses arising from disposal of securities, as they mature in 2014. As at 31 December 2013 in the total deferred tax asset balance of the Group the amount of LTL 7,412 thousand (as at 31 December 2012 – LTL 6,894 thousand) relates to deferred income tax asset recognized from the taxable losses of the Company and only LTL 595 thousand (as at 31 December 2012 – LTL 2,643 thousand) was recognized from the taxable losses of other group entities, net of transferred tax losses within the Group (Note 7).

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. Split-off

On 20 November 2012 the Extraordinary General Shareholders Meeting of the Company approved drawing up of the terms of the Company's split-off and authorized the Board to prepare the terms of split-off. On 13 February 2013 the split-off terms were made available to public. The Extraordinary General Shareholders Meeting approved the terms of the Company's split-off on 9 April 2013.The new name of the Company after the split-off is AB Invalda LT. The name of newly established company after split-off is AB Invalda Privatus Kapitalas. During the split-off approximately 45.45 % of the total assets, liabilities and the equity of the Company were allocated to AB Invalda Privatus Kapitalas. According to the split-off terms some assets were allocated not proportionally (in full to either one or the other side), some assets were allocated proportionally (i.e. investment into furniture production, agricultural land and agriculture segments). Remaining assets were allocated under the principle that total transferred assets to AB Invalda Privatus Kapitalas would constitute approximately 45.45 % of the carrying amount of the total assets of the Company as of the day of executing the Transfer – acceptance certificates.

Split-off of was completed on 31 May 2013.

The Company

The split-off of the balance sheet of the Company as at 31 May 2013 according to the split-off terms is as follows:

	The Company before split-off	**AB Invalda LT**	**AB Invalda Privatus Kapitalas**
Non-current asset			
Property, plant and equipment	151	43	108
Intangible assets	11	11	-
Investments into subsidiaries	97,653	71,837	25,816
Investments into associates and joint ventures	631	-	631
Investments available-for-sale	1,817	1,705	112
Non-current loans granted	96,683	56,223	40,460
Trade and other receivables long term	2,405	2,405	-
Deferred income tax asset	16,977	9,237	7,740
Total non-current assets	**216,328**	**141,461**	**74,867**
Current asset			
Trade and other receivables	791	791	-
Current loans granted	69,893	18,834	51,059
Prepaid income tax	13	13	-
Prepayments and deferred charges	111	28	83
Financial assets at fair value through profit loss	12,647	3,852	8,795
Cash and cash equivalents	25,873	12,673	13,200
Total current assets	**109,328**	**36,191**	**73,137**
TOTAL ASSETS	**325,656**	**177,652**	**148,004**
Equity			
Share capital	45,523	24,834	20,689
Share premium	60,747	33,139	27,608
Reserves	175,401	95,685	79,716
Retained earnings	28,221	15,395	12,826
Total equity	**309,892**	**169,053**	**140,839**
Current liabilities			
Current borrowings	13,907	6,988	6,919
Trade payables	120	56	64
Other current liabilities	1,737	1,555	182
Total current liabilities	**15,764**	**8,599**	**7,165**
Total liabilities	**15,764**	**8,599**	**7,165**
TOTAL EQUITY AND LIABILITIES	**325,656**	**177,652**	**148,004**

3 Split-off (cont'd)

According to IFRIC 17 the gain on the split-off has to be recognised in the profit or loss being the difference between the carrying amount of the split-off liability (measured at the fair value of the assets to be distributed) and the carrying amount of the transferred assets. Based on the management assessment of the fair value of the transferred assets, the Company has recognised a split-off gain of LTL 66,413 thousand. The largest part of this gain, equal to LTL 57,030 thousand, resulted from the transfer of 32.78% AB Vilniaus Baldai shares (the fair value of the shares was determined as the closing market price on 31 May 2013 in the NASDAQ OMX exchange). Remaining part of the split-off gain relates to the transfer of the entities investing in the agricultural land and real estate (LTL 5,021 thousand), a transferred portion of investment in associate UAB Litagra (LTL 5,387 thousand) and the entities of other production and service segments (LTL 633 thousand).

<u>The Group</u>

The carrying amounts of the assets and liabilities of the Group transferred according to the terms of the split-off and derecognised from the statement of financial position are follows (inter-group balances are eliminated, but the numbers below do not include the retained interest in entities where control was lost):

	Carrying amount at the transfer date
Intangible assets	1,013
Investment properties	58,603
Property, plant and equipment	44,071
Investment into associates and joint ventures	24,509
Investments available-for-sale	1,154
Deferred income tax assets	9,655
Inventories	38,075
Trade and other receivables	21,409
Loans granted	936
Prepaid income tax	1,445
Prepayments and deferred charges	2,642
Financial assets at fair value through profit loss	8,795
Term deposits	7,958
Cash and cash equivalents	36,602
Total assets	**256,867**
Deferred income tax liability	(1,471)
Borrowings	(1,438)
Trade payables	(19,824)
Income tax payable	(82)
Advance received	(2,392)
Other liabilities	(9,596)
Total liabilities	**(34,803)**
Total net assets	**222,064**

The Group has recognised gain on the split-off of LTL 84,802 thousand, from which the gain on loss of control of AB Vilniaus Baldai amounted to LTL 84,583 thousand and was presented within "Profit after tax for the year from discontinued operations". The calculation of the gain on the loss of control of AB Vilniaus Baldai as at 31 May 2013 is presented below (the fair value is within level 1 of the fair value hierarchy):

The fair value of the transferred shares of AB Vilniaus Baldai	63,347
The carrying amount of the proportion of the net assets	24,906
Gain on the transferred shares	38,441
The fair value of the retained shares of AB Vilniaus Baldai	76,038
The carrying amount of the proportion of the net assets	29,896
Gain on re-measurement of the retained interest at fair value	46,142
Total gain recognized within discontinued operations	**84,583**

3 Split-off (cont'd)

Due to split-off the Group transferred 16.76 % of UAB Litagra shares. The fair value of UAB Litagra shares was measured based on the EBITDA multiples (range 6 – 8) and approximated their carrying amount, therefore, no gain was recognised in profit or loss of the Group. The fair value is within level 3 of the fair value hierarchy. The Group has also transferred these entities: UAB Dizaino Institutas, UAB IBC Logistika, UAB Minijos Valda, UAB Riešės Investicija, UAB Naujoji Švara, UAB Ineturas, UAB Elniakampio Namai, UAB projektavimo firma Saistas, UAB BNN, UAB Trakų Kelias, UAB Inreal Valdymas, UAB Inreal, UAB Inreal GEO, UAB Aikstentis. UAB Ente, UAB Justum, UAB Kvietnešys, UAB Šimtamargis, UAB Žemvesta, UAB Deltuvis, UAB Investicijų Tinklas, UAB Fortina, UAB Via Solutions, AB Invetex, UAB Agrobitė, UAB Lauko Gėlininkystės Bandymų Stotis, UAB Žemėpatis, UAB IŽB 1, UAB Lauksėja, UAB Žiemgula, UAB Žemėja, UAB Kopų Vėtrungės, UAB Danės Gildija, UAB Justiniškių Valda, UAB Justiniškių Aikštelė. These entities are mainly investing in agricultural land and real estate. The main assets of these entities were investment properties, which are carried at fair value in the financial statements. The fair value of these investments was measured at the fair value of their net assets. The fair values are within level 3 of the fair value hierarchy. The Group has recognised LTL 780 thousand gain from the distribution of these entities.

The reconciliation between distributed net assets of the Company and the Group during the split-off is presented below:

The fair value of net assets of the Company transferred during split-off		208,910
Intercompany impaired loans of subsidiaries recognised as a liability, as these loans were transferred and became external borrowings during the split-off		1,250
Retained loses of the subsidiaries allocated to non-controling interest:		
	Increase in retained earnings	(980)
	Decrease in non-controlling interest	980
Derecognition of non-controlling interest where control over subsidiaries was lost		22,290
Net assets of the Group distributed during split-off		232,450

45.45 % of UAB "Finansų rizikos valdymas" shares and 45.45 % of UAB "Aktyvo" shares were transferred during the split-off, but the control over these subsidiaries was retained. The equity of these subsidiaries was negative, therefore the Group's non-controling interest was reduced by LTL 980 thousand and the retained earnings attributable to the equity holders of the parent were increased by the same amount.

4. Business combinations and acquisition of non-controlling interests, investments into associates and joint ventures, disposals

The movement of investments in associates and joint ventures was as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
At 1 January	**48,799**	**39,269**	**685**	**724**
Share of profit (loss) of associates	5,953	7,160	-	-
Profit from bargain purchases of associates	-	1,542	-	-
Share of profit (loss) of joint ventures	(528)	(37)	-	-
Share of exchange differences	(4)	(6)	-	-
Acquisition of non-controlling interest in subsidiary held by associate	512	871	-	-
Share of other comprehensive income of associates	26	-	-	-
Acquisition of additional shares in associate	12,070	-	12,070	-
Impairment	-	-	(54)	(39)
Dividends received	(15,880)	-	-	-
Partial disposal of an associate during split-off retaining significant influence (Note 3)	(24,509)	-	(631)	-
Reclassification of subsidiaries to associates and joint ventures during split-off	59,247	-	13,038	-
At 31 December	**85,686**	**48,799**	**25,108**	**685**
Associates	81,865	48,114	19,653	-
Joint ventures	3,821	685	5,455	685

4 Business combinations and acquisition of non-controlling interests, investments into associates and joint ventures, disposals (cont'd)

The movement of investments in subsidiaries of the Company was as follows:

	Company	
	2013	**2012**
At 1 January	**98,119**	**99,607**
Acquisition	4,166	-
Establishment of subsidiaries and increase of share capital (mainly nominal amount of loans capitalised)	266	18,805
Reclassification of allowance on loans capitalized within share capital of subsidiaries	-	(6,620)
Reversal of impairment due to increase of recoverable amount of the investments	93	2,808
Disposals	(592)	-
Reversal of impairment due to disposals	517	-
Split-off (Note 3)	(25,816)	-
Reclassification of subsidiaries to associates and joint ventures during split-off	(13,038)	-
Additional impairment charge for the year	(11,228)	(16,481)
At 31 December	**52,487**	**98,119**

In 2013 the Company recognised impairment losses of investments to subsidiaries of LTL 9,798 thousand that operate in real estate segment because of decreased carrying amount of net assets of these subsidiaries (2012 – LTL 16,306 thousand). The recoverable amounts of these investments have been determined based on value in use calculations. The value in use of investments is mainly dependant on the fair value of investment properties (Note 12) and the amount of borrowings each subsidiary has. If liabilities of a subsidiary exceed the fair value of its property, such an investment is impaired to nil. Where the net assets of an entity are positive, value in use was based on the estimated future net cash flows of the underlying entities that are attributable to the Company. The key estimates used in valuing investment property are disclosed in Note 12. For the purposes of impairment testing the borrowings are measured discounting all future payments using current market rate. The fair value of financial liabilities is disclosed in Note 15.

<u>Acquisitions in 2013 and 2012</u>

In April 2013 the Group acquired 70% of the shares of 360° Smart Consulting Ltd for LTL 12 thousand to implement the projects of the information technology segment in Tanzania as a local country resident. Later the entity changed its name to Norway Registers Development East Africa Limited. The net assets of the entity were LTL 25 thousand, the non-controlling interest increased by LTL 7 thousand due to the acquisition.

There were no business combinations in 2012.

<u>Establishment of companies (increase of share capital) in 2013 and 2012</u>

During the 1st Quarter of 2013 the subsidiaries, which invest in agricultural land, and two subsidiaries, which hold investments, were reorganized through legal demerger while preparing for the Company's split-off. Therefore, the Group had these subsidiaries UAB Kvietnešys, UAB Kvietukas, UAB Laukaitis, UAB Lauknešys, UAB Vasarojus, UAB Žiemkentys, UAB Žiemgula, UAB Žemėja, UAB Žemgalė, UAB Deltuvis, UAB Justum.

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

In November 2013 the Company and the Group have additionally invested LTL 96 thousand to increase share capital of UAB MGK Invest and UAB Įmonių Grupė Inservis.

4 Business combinations and acquisition of non-controlling interests, investments into associates and joint ventures, disposals (cont'd)

Establishment of companies (increase of share capital) in 2013 and 2012 (cont'd)

In March 2012 the Company has invested LTL 155 thousand to increase share capital of Invalda Lux S.a.r.l. by cash. In July and December 2012 the Company has invested additional LTL 18,650 thousand to increase share capital of UAB Naujoji Švara, UAB Žemvesta, UAB Rovelija, UAB Saistas, UAB Ineturas, UAB Minijos valda, UAB IBC logistika by converting loans granted to shares. No cash consideration was transferred.

In January 2012 UAB Justiniškių Valda and UAB Justiniškių Aikštelė, which own investment property previously owned by UAB Jurita, were separated from UAB Jurita. The new separated entities are allocated to real estate segment.

The Group has established three real estate investment companies by investing by cash of LTL 30 thousand: UAB Lauksėja (investment in the agricultural land, in May 2012), UAB Danės Gildija (project of apartments building in Klaipėda, in May 2012) and UAB Kopų Vėtrungės (project of apartments building in Nida, in August 2012). Also investment properties with carrying value of LTL 7,970 thousand, located in Klaipėda, were invested into share capital of UAB Danės Gildija (in June 2012), and investment properties with carrying value of LTL 3,990 thousand, located in Nida, were invested into share capital of UAB Kopų Vėtrungės (in September 2012).

During 4th Quarter of 2012 the Group has invested LTL 10 thousand by establishing UAB IPP Integracijos Projektai and in addition invested LTL 2,120 thousand to increase share capital of UAB Informatikos pasaulis, UAB Vitma, UAB IŽB 1, UAB Lauksėja, UAB Puškaitis mainly by converting loans granted to shares.

Reorganisation of companies investing in agricultural land

On 31 July 2013 the Company has acquired 100% of shares of UAB Puškaitis, UAB Žemynėlė, UAB Žemgalė, UAB Kvietukas, UAB Vasarojus, UAB Lauknešys from subsidiary UAB Aktyvus Valdymas for LTL 4,166 thousand.

In order to reorganise the parcels owned by the companies investing in agricultural land so that each company manages geographically close parcels located in one or several regions of Lithuania and at the same time to simplify management of the land and reduce operating expenses, the companies' legal demerger was initiated. For this purpose, 17 companies were incorporated in August 2013 by investing LTL 170 thousand: UAB Avižėlė, UAB Beržytė, UAB Dirvolika, UAB Duonis, UAB Kupiškio Žemgalė (after reorganization was renamed to UAB Žemgalė), UAB Linažiedė, UAB Marijampolės Puškaitis (after reorganization was renamed to UAB Puškaitis), UAB Pakruojo Kvietukas (after reorganization was renamed to UAB Kvietukas), UAB Pakruojo Laukaitis (after reorganization was renamed to UAB Laukaitis), UAB Panevėžio Vasarojus (after reorganization was renamed to UAB Vasarojus), UAB Pasvalio Lauknešys (after reorganization was renamed to UAB Lauknešys), UAB Pasvalio Žiemkentys (after reorganization was renamed to UAB Žiemkentys), UAB Pušaitis, UAB Sėja, UAB Vilkaviškio Ekotra (after reorganization was renamed to UAB Ekotra), UAB Vilkaviškio Žemynėlė (after reorganization was renamed to UAB Žemynėlė) and UAB Žalvė. On 30 September 2013 mentioned above entities were taken over the assets and liabilities of the nine companies, which have ended activities as consequence of reorganisation: UAB Ekotra, UAB Puškaitis, UAB Žemynėlė, UAB Žemgalė, UAB Kvietukas, UAB Laukaitis, UAB Vasarojus, UAB Lauknešys, UAB Žiemkentys.

Non – controlling interest acquisition in 2013

In January 2013 the Group acquired 5.27 % of the shares of AB NRD for LTL 200 thousand. The carrying amount of the additional non-controlling interest acquired was LTL 196 thousand. The negative difference equal to LTL 4 thousand between the consideration and the carrying amount of the non-controlling interest acquired was recognised directly in the shareholders equity.

Non – controlling interest acquisition in 2012

In April 2012 the Company has acquired 24% of shares of UAB Aikstentis (currently a dormant entity attributed to the real estate segment) for LTL 3. Amount of LTL 2,309 thousand was attributed to the non-controlling interest, so it was reduced by this amount, and, respectively, retained earnings attributable to equity holders of the parent were increased. The reason for a large attribution was that in 2010 prospectively applying the new requirement of IAS 27 net losses of prior periods equal to LTL 2,343 thousand were not attributed to the non-controlling interest of UAB Aikstentis, but due to the sale of UAB Broner (previous subsidiary of UAB Aikstentis) the net profit of LTL 2,316 thousand was attributed to the non-controlling interest.

In August 2012 the Group has acquired 0.65 % of shares of UAB NRD for LTL 13 thousand. The value of the additional interest acquired was LTL 17 thousand. The positive difference equal to LTL 4 thousand between the consideration and the value of the interest acquired has been recognised directly to the shareholders equity.

4 Business combinations and acquisition of non-controlling interests, investments into associates and joint ventures, disposals (cont'd)

Acquisition of associates and joint ventures in 2013

AB Vilniaus Baldai became an associate as a consequence of the split-off (see Note 3). The acquisition cost of the associate in the financial statements of the Group is equal to the fair value of retained 39.35 %shares of AB Vilniaus Baldai after split-off (LTL 76,038 thousand). The fair value of the retained part of identifiable net assets was LTL 62,226 thousand at the date of split-off and the resulting goodwill amounts to LTL 13,812 thousand.

The official tender offer to buy up shares of AB Vilniaus Baldai took place from 15 July 2013 until 29 July 2013, during which the Company acquired additional 6.05% of shares (235,093 shares) of AB Vilniaus Baldai with par value of LTL 4, for the total amount of LTL 12,070 thousand. The fair value of the acquired part of identifiable net assets is LTL 9,638 thousand and the resulting goodwill amounts to LTL 2,432 thousand. After the tender offer completion AB Invalda LT owns 45.40 % of shares of AB Vilniaus Baldai.

Acquisition of associates and joint ventures in 2012

There were no acquisitions of associates and joint ventures in 2012.

Disposals

Net gains (losses) on disposal of subsidiaries, associates and joint ventures, excluding split-off, are as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
Net gain (loss) on sale of subsidiaries	1,333	-	(517)	-
Net gain (loss) on sale of associates and joint ventures	-	1,282	-	(1,052)
	1,333	1,282	(517)	(1,052)

There were no disposals of subsidiaries in 2012.

Disposals of subsidiaries in 2013

In May 2013 the 100% of the shares of UAB Cmanagement was sold for the LTL 1. The Company suffered loss of LTL 367 thousand on the sale of the shares, because there was an impairment loss of LTL 367 thousand recognised for this investment in previous years. The impairment loss was reversed and as a result the overall impact of this sale on profit of the Company was equal to nil. The Group had earned the profit of LTL 1,333 thousand, because the equity of the subsidiary was negative. In addition, the liquidation of Invalda Lux S.a.r.l., which was established in Luxembourg, was completed in May. The Company recognised the loss of LTL 150 thousand in the caption "Gains (losses) on disposal of subsidiaries, associates and joint ventures", but the impairment of the same amount was reversed through 'Impairment, write-down and provisions'.

On 31 May 2013 the split-off of AB Invalda was completed, due to this the structure of the Group had changed significantly (many of subsidiaries was sold as consequence). The split-off is described in detail in note 3.

Disposals of associates and joint ventures in 2012

AB Umega

On 12 January 2012, the sale of 29.27% of shares of AB Umega according to the agreement signed on 30 November 2011 was completed. Consideration for the shares sold was LTL 3,745 thousand. The Group has earned a profit of LTL 2,037 thousand, as the associate was incurring losses. In the financial statements of the Company, the price for the shares sold was equal to the carrying amount of the investment. The loss of LTL 298 thousand (the price of the shares was less as initial acquisition cost) is included under the caption "Net gains (losses) on disposal of subsidiaries, associates and joint ventures" in the Company's income statement and the impairment reversal of the same amount - LTL 298 thousand – is presented under the caption "Impairment, write-down and provisions" in the Company's income statement.

SIA Uran

In June 2012 the loans with nominal amount of LTL 807 thousand granted to real estate entity SIA Uran, operating in Latvia, were converted into 42.86 % shares of the entity. The carrying amount of these converted loans was LTL 237 thousand. These shares were sold in June 2012 for LTL 52 thousand. In the profit (loss) statement of the Group and the Company a loss of LTL 755 thousand was recognised within "Net gains (losses) on disposal of subsidiaries, associates and joint ventures" and the allowance for loans granted of LTL 570 thousand was reversed.

5. Segment information

The Board of Directors monitors the operating results of the business units of the Group separately for the purpose of making decisions about resource allocations and performance assessment. Segment performance is evaluated based on net profit or loss and it is measured on the same basis as net profit or loss in the financial statements. Group financing (including finance costs and finance income) and income taxes are allocated between segments as they are identified on basis of separate legal entities. Consolidation adjustments and eliminations are not allocated on a segment basis. Segment assets are measured in a manner consistent with that of the financial statements. All assets are allocated between segments, because segments are identified on a basis of separate legal entities.

For management purposes, the Group is organised into following operating segments based on their products and services:

Furniture production

The furniture segment includes flat-pack furniture mass production and sale. Due to split-off of the Company the subsidiary operating in this segment became an associate of the Group.

Real estate

The real estate segment is investing in investment properties held for future development and in commercial real estate and its rent. The subsidiaries activities of which have been management and administration, intermediation in buying, selling and valuation of real estate, and in the geodesic measurement of land were transferred from the Group during the split-off of the Company. In these financial statements the agricultural land segment is newly identified and separately disclosed, including comparative information.

Agricultural land

The agricultural land segment is involved in investment in agricultural land and its rent.

Agriculture

Agricultural activities include the primary crop and livestock (milk) production, grain processing and agricultural services. The segment's companies sell plant protection products, fertilizers, seeds, compound feed, feed supplements, veterinary products, buy grain, provide grain and other raw materials drying, cleaning, handling and storage services.

Information technology infrastructure

The information technology infrastructure segment is involved in offering IT infrastructure strategy, security and maintenance solutions and supplies of all hardware and software needed for IT infrastructure solutions of any size and in the development and implementation of software for government register systems, including consultation.

Facility management

The facility management segment includes facility management of dwelling-houses, commercial and public real estate properties.

Other production and service segment

The other production and service segment is involved in hardware articles production, road signs production, wood manufacturing, growing and trading of ornamental trees and shrubs. The Group also presents investment, financing and management activities of the holding company in this segment, as these are not analysed separately by the Board of Directors.

Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated in column 'Inter-segment transactions and consolidation adjustments'. Capital expenditure consists of additions to property, plant and equipment, intangible assets and investment properties including assets from the acquisition of subsidiaries.

The loans granted by the Company are allocated to other production and services segment. The impairment losses of these loans are allocated to a segment to which the loan was granted initially.

5 Segment information (cont'd)

The following table presents revenues, profit and certain assets and liabilities information regarding the Group's business segments for the year ended 31 December 2013:

	Furniture production	Real estate	Agricul-tural land	Agricul-ture	Information technology infrastruc-ture	Facility manage-ment	Other production and service	Inter-segment transactions and consolidation adjustments	Total continuing operations
Year ended 31 December 2013									
Revenue									
Sales to external customers	-	23,396	1,258	-	50,670	14,595	8,781	-	98,700
Inter-segment sales	-	495	-	-	79	933	2	(1,509)	-
Total revenue	**-**	**23,891**	**1,258**	**-**	**50,749**	**15,528**	**8,783**	**(1,509)**	**98,700**
Results									
Interest income	-	228	1	-	3	34	5,441	(4,203)	1,504
Other income	-	30	9	-	52	31	141	(52)	211
Net loss from fair value adjustment on investment property	-	(567)	11,303	-	-	-	-	-	10,736
Net gains (loss) on disposal of subsidiaries, associates and joint ventures	-	-	-	-	-	1,333	-	-	1,333
Gain on split-off	-	-	-	-	-	-	780	-	780
Net changes in fair value of financial assets	-	-	-	-	114	-	1,426	-	1,540
Impairment, write-down, allowances and provisions	-	5,171	(74)	-	(178)	(907)	(372)	-	3,640
Employee benefits expense	-	(1,627)	(168)	-	(10,369)	(6,744)	(5,318)	-	(24,226)
Raw materials and consumables used	-	(35)	(8)	-	(27,349)	(1,013)	(5,192)	-	(33,597)
Changes in residential real estate	-	(1,967)	-	-	-	-	-	-	(1,967)
Depreciation and amortization	-	(142)	(8)	-	(2,498)	(832)	(566)	-	(4,046)
Interest expenses	-	(3,452)	(1,079)	-	(1,345)	(89)	(344)	4,203	(2,106)
Other expenses	-	(18,206)	(533)	-	(8,283)	(6,671)	(2,534)	1,561	(34,666)
Share of profit (loss) of the associates and joint ventures	1,826	(95)	-	4,163	-	-	(469)	-	5,425
Profit (loss) before income tax	1,826	3,229	10,701	4,163	896	670	1,776	-	23,261
Income tax credit (expenses)	-	452	(1,636)	-	(179)	(217)	(1,694)	-	(3,274)
Profit from discontinued operations	3,962	-	-	-	-	-	84,583	-	88,545
Net profit for the year	**5,788**	**3,681**	**9,065**	**4,163**	**717**	**453**	**84,665**	**-**	**108,532**
Attributable to:									
Equity holders of the parent	4,684	3,681	9,065	4,163	536	453	84,693	-	107,275
Non-controlling interest	1,104	-	-	-	181	-	(28)	-	1,257

(cont'd on the next page)

5 Segment information (cont'd)

	Furniture production	Real estate	Agricul-tural land	Agricul-ture	Information technology infrastruc-ture	Facility manage-ment	Other production and service	Inter-segment transactions and consolidation adjustments	Total continuing operations
As at 31 December 2013									
Assets and liabilities									
Segment assets	-	156,067	36,447	-	27,732	9,084	97,848*	(46,918)	280,260
Investment in associates and joint ventures	74,079	-	-	11,607	-	-	-	-	85,686
Total assets	**74,079**	**156,067**	**36,447**	**11,607**	**27,732**	**9,084**	**97,848**	**(46,918)**	**365,946**
Segment liabilities	**-**	**125,437**	**19,124**	**-**	**26,199**	**5,464**	**17,454**	**(46,918)**	**146,760**
Other segment information									
Capital expenditure:									
• Property, plant and equipment	4,597	27	5	-	706	148	352	-	5,835
• Investment properties	-	206	2,723	-	-	-	-	-	2,929
• Intangible assets	138	18	26	-	62	36	45	-	325

(the end)

* LTL 91,551 thousand from this amount are attributable to the Company.

5 Segment information (cont'd)

The following table presents revenues, profit and certain assets and liabilities information regarding the Group's business segments for the year ended 31 December 2012:

	Furniture production	Real estate	Agricultural land	Agriculture	Information technology infrastructure	Facility management	Other production and service	Inter-segment transactions and consolidation adjustments	Total continuing operations
Year ended 31 December 2012									
Revenue									
Sales to external customers	-	30,980	1,476	-	40,718	11,708	11,674	-	96,556
Inter-segment sales	-	1,529	-	-	51	1,426	1	(3,007)	-
Total revenue	**-**	**32,509**	**1,476**	**-**	**40,769**	**13,134**	**11,675**	**(3,007)**	**96,556**
Results									
Interest income	-	242	1	-	3	91	10,071	(7,247)	3,161
Other income	-	190	12	-	56	156	57	-	471
Net gain (loss) from fair value adjustment on investment property	-	(12,840)	4,131	-	-	-	-	-	(8,709)
Net gains on disposal of subsidiaries, associates and joint ventures	-	(755)	-	-	-	-	2,037	-	1,282
Net changes in fair value of financial assets	-	-	-	-	-	-	3,567	-	3,567
Impairment, write-down, allowances and provisions	-	883	(68)	-	(88)	73	67	-	867
Employee benefits expense	-	(3,532)	(50)	-	(9,129)	(6,123)	(6,072)	-	(24,906)
Raw materials and consumables used	-	(91)	-	-	(19,660)	(783)	(6,197)	16	(26,715)
Changes in residential real estate	-	(4,973)	-	-	-	-	-	-	(4,973)
Depreciation and amortization	-	(205)	-	-	(2,601)	(666)	(856)	-	(4,328)
Interest expenses	-	(6,721)	(1,839)	-	(1,292)	(158)	(931)	7,247	(3,694)
Other expenses	-	(19,521)	(782)	-	(9,186)	(6,077)	(3,156)	2,991	(35,731)
Share of profit (loss) of the associates and joint ventures	-	(37)	-	8,675	-	-	27	-	8,665
Profit (loss) before income tax	-	(14,851)	2,881	8,675	(1,128)	(353)	10,289	-	5,513
Income tax credit (expenses)	-	1,380	(443)	-	9	59	(1,370)	-	(365)
Discontinued operation	26,997	-	-	-	-	-	-	-	26,997
Net profit for the year	**26,997**	**(13,471)**	**2,438**	**8,675**	**(1,119)**	**(294)**	**8,919**	**-**	**32,145**
Attributable to:									
Equity holders of the parent	19,475	(13,470)	2,438	8,675	(942)	(294)	8,889	-	24,771
Non-controlling interest	7,522	(1)	-	-	(177)	-	30	-	7,374
As at 31 December 2012									
Assets and liabilities									
Segment assets	98,504	231,698	43,778	-	27,236	9,853	249,236*	(119,195)	541,110
Investment in associates and joint ventures	-	685	-	48,114	-	-	-	-	48,799
Total assets	**98,504**	**232,683**	**43,778**	**48,114**	**27,236**	**9,853**	**249,236**	**(119,195)**	**589,909**
Segment liabilities	**26,495**	**188,208**	**31,276**	**-**	**25,453**	**7,654**	**13,822**	**(119,195)**	**173,713**
Other segment information									
Capital expenditure:									
• Property, plant and equipment	14,588	87	-	-	1,195	673	365	-	16,908
• Investment properties	-	452	2,975	-	-	-	-	-	3,427
• Intangible assets	703	-	-	-	66	74	10	-	853

* LTL 222,008 thousand from this amount are attributable to the Company.

5 Segment information (cont'd)

In 2013 employee benefits expense included LTL 5,004 thousand social security contribution paid by employer (2012: LTL 6,104 thousand) and LTL 1,446 thousand social security contribution paid by employee (2012: LTL 1,768 thousand).

Analysis of revenue by category:

	Group	
	2013	2012
Sales of goods		
Sales of residential real estate	2,380	6,968
IT sector revenue	29,722	21,407
Sales of other production	8,613	11,073
Total	**40,715**	**39,448**
Revenue from services		
Rent and other real estate income	21,016	24,012
Agricultural land sector income	1,258	1,476
IT sector revenue	20,948	19,311
Facilities management revenue	14,595	11,708
Other services revenue	168	601
Total	**57,985**	**57,108**
Total revenue	**98,700**	**96,556**

The entity is domiciled in the Lithuania. The result of its revenue from external customers in the Lithuania is LTL 84,628 thousand (2012: LTL 84,132 thousand), and the total of revenue from external customers from other countries is LTL 14,072 thousand (2012: LTL 12,424 thousand).

Analysis of revenue from external customers by group of countries other than Lithuania:

	Group	
	2013	2012
European Union countries	3,355	11,071
Other than European Union countries	10,717	1,353
Total	**14,072**	**12,424**

The following table presents non-current assets other than financial instruments and deferred tax assets regarding Group's geographical distribution for the years ended 31 December 2013 and 2012:

	Lithuania	Foreign countries	Total continuing operations
Year ended 31 December 2013	194,198	23	194,221
Year ended 31 December 2012	284,250	198	284,448

6. Other income and expenses

6.1. Net changes in fair value on financial instruments

	Group		Company	
	2013	**2012**	**2013**	**2012**
Net gain (loss) from financial assets designated upon initial recognition at fair value through profit or loss	278	970	278	970
Net gain (loss) from financial assets held for trading	1,148	2,555	1,148	(134)
Net gain (loss) from financial assets at fair value through profit or loss, total	*1,426*	*3,525*	*1,426*	*836*
Net gain from financial liabilities at fair value through profit or loss (contingent consideration from the acquisition of NRD AS)	*114*	*42*	*-*	*-*
	1,540	3,567	1,426	836

6.2. Impairment, write-down and provisions

	Group		Company	
	2013	**2012**	**2013**	**2012**
Change in provision for impairment of loans granted	4,452	939	5,025	258
Change in provision for impairment of trade receivables	(553)	(76)	(98)	-
Impairment on financial assets, total	*3,899*	*863*	*4,927*	258
Impairment of investments in subsidiaries, associates and joint ventures	-	-	(10,672)	(16,520)
Reversal of impairment due to increase of recoverable amount of the investments in subsidiaries, associates and joint ventures	-	-	-	3,106
Change in write-down of inventories	(289)	(69)	-	-
Provisions	30	73	-	-
Impairment on non-financial assets and provisions, total	*(259)*	*4*	*(10,672)*	*(13,414)*
	3,640	867	(5,745)	(13,156)

In 2013 and in 2012 the Company recognised additional impairment losses of investments to subsidiaries that operate in real estate segment due to the decrease in fair value of net assets of these subsidiaries (see Note 4). In 2012 fair value of net assets of these subsidiaries decreased mainly due to fall of fair value of owned investment properties. In 2013 the decrease mainly resulted from the increase of the fair value of borrowings. In 2013 additional impairment losses were recognised for the entity operating in the other production and services segment due to decrease in future projected cash flows.

In 2013 the Company acquired for LTL 7,769 thousand from the bank 50 % of the rights to receive a repayment of borrowings provided by the bank to Latvian entity SIA Dommo Biznesa Parks, the bank operates in Latvia and previously financed the investment property of the entity. In addition, the rights to receive a repayment of borrowings from Latvian entity SIA Dommo Grupa were acquired from AB Invalda Privatus Kapitalas in exchange to the rights to receive a repayment of borrowings from UAB Broner. The above mentioned rights (relating to UAB Broner) were proportionally allocated between the Company and AB Invalda Privatus Kapitalas during the split-off. The two Latvian entities SIA Dommo Biznesa Parks and SIA Dommo Grupa comprise one group and own about 12,800 square meters of warehouse space and over 58 hectares of land around Riga, suitable for the development of logistics hub. These assets are pledged to secure acquired borrowings. Due to economic crisis these entities were in the process of bankruptcy. After acquisition of the rights to borrowings from the bank, the bankruptcy process will be terminated and the entities will continue to operate, as a result the Company and the Group will have the right to 50 % of entities' generated cash flows. Until the acquisition of the rights, the Company impaired to nil the loans granted in the past to these Latvian entities. Because of changed circumstances allowing the recovery of debt and a portion of loans paid back during the year, the Company and the Group recognised a reversal of impairment loss of previously granted loans amounting to LTL 4,799 thousand.

6.3. Other income

	Group		Company	
	2013	2012	2013	2012
Interest income from loans, receivables, term deposit and cash	1,348	2,168	6,175	11,032
Interest income from held to maturity financial assets	-	187	-	187
Interest income from held-for-trading financial assets	156	806	156	806
Dividend income	71	18	16,841	28,758
Other income	140	453	72	12
	1,715	3,632	23,244	40,795

In 2013 the Company recognised LTL 845 thousand interest income on impaired loans (2012: LTL 2,667 thousand). In 2013 the Group recognised LTL 14 thousand interest income on impaired loans (2012: LTL 5 thousand).

6.4. Finance costs

	Group		Company	
	2013	2012	2013	2012
Interest expenses of convertible bonds	-	(768)	-	(768)
Other interest expenses	(2,106)	(2,926)	(292)	(138)
Other finance costs	(102)	(171)	(43)	-
	(2,208)	(3,865)	(335)	(906)

7. Income tax

	Group		Company	
	2013	2012	2013	2012
Components of the income tax credit (expenses)				
Current year income tax	(149)	(208)	(4)	-
Prior year current income tax correction	122	52	(33)	-
Income tax credit arising from tax losses sold to discontinued operation	-	1,524	-	-
Deferred income tax credit (expenses)	(3,247)	(1,733)	(1,654)	(1,235)
Income tax credit (expenses) charged to the income statement – continuing operation	(3,274)	(365)	(1,691)	(1,235)
Current year income tax	(326)	(1,431)	-	-
Prior year current income tax correction	1	-	-	-
Income tax expenses arising from tax losses purchased from continuing operation	-	(1,524)	-	-
Deferred income tax credit (expenses)	(26)	136	-	-
Income tax credit (expenses) charged to the income statement – discontinued operation	(351)	(2,819)	-	-
Income tax credit (expenses) charged to the income statement – total	(3,625)	(3,184)	(1,691)	(1,235)

There are no income tax expenses (credit) recognised in other comprehensive income in 2013 and 2012.

	Group		Company	
	2013	2012	2013	2012
Consolidated statement of changes in equity				
Current year income tax (conversion of bonds)	-	(1,076)	-	(1,076)
Income tax credit (expenses) recognised in statement of changes in equity	-	(1,076)	-	(1,076)

7 Income tax (cont'd)

Deferred income tax asset and liability were estimated at 15% rates as at 31 December 2013, except for temporary differences arising from entities operating in Norway (28 %, respectively).

The movement in deferred income tax assets and liabilities of the Group during 2013 is as follows:

	Balance as at 31 December 2012	Recognised in the income statement	Disposed subsidiaries	Correction of transfer of tax losses within group	Split-off (Note 3)	Currency transla-tion	Balance as at 31 December 2013
Deferred tax asset							
Tax loss carry forward for indefinite period of time	7,578	508	(230)	(56)	(4,005)	-	3,795
Tax loss carry forward till 2014 – 2018	5,453	2,094	-	-	-	-	7,547
Property, plant and equipment	113	(10)	-	-	-	-	103
Investment properties	2,747	(299)	-	-	(1,628)	-	820
Receivables	585	57	-	-	(500)	-	142
Investments at fair value through profit and loss	10,496	(2,557)	-	-	(7,285)	-	654
Inventories	43	26	-	-	(8)	-	61
Accruals	202	(32)	-	-	(80)	-	90
Intangible assets	36	(13)	-	-	(1)	(3)	19
Other	617	46	(90)	-	(267)	-	306
Deferred tax asset available for recognition	27,870	(180)	(320)	(56)	(13,774)	(3)	13,537
Less: unrecognised deferred tax asset from tax losses carried forward for indefinite period of time	(3,494)	(435)	230	-	1,291	-	(2,408)
Less: unrecognised deferred tax asset from tax losses carried forward till 2014 – 2018	-	(927)	-	-	-	-	(927)
Less: unrecognised deferred tax asset due to future uncertainties	(2,841)	304	89	-	1,628	-	(820)
Recognised deferred income tax asset, net	21,535	(1,238)	(1)	(56)	(10,855)	(3)	9,382
Asset netted with liability of the same legal entities	(1,911)	(382)	-	-	1,200	-	(1,093)
Deferred income tax asset, net	**19,624**	**(1,620)**	**(1)**	**(56)**	**(9,655)**	**(3)**	**8,289**
Deferred tax liability							
Property, plant and equipment	(269)	9	-	-	188	-	(72)
Intangible assets	(487)	159	-	-	-	2	(326)
Investment properties	(15,745)	(2,061)	-	-	2,259	-	(15,547)
Investments at fair value through profit and loss	-	(82)	-	-	20	-	(62)
Inventories	(30)	18	-	-	12	-	-
Other	(496)	(78)	-	-	192	-	(382)
Deferred income tax liability	(17,027)	(2,035)	-	-	2,671	2	(16,389)
Liability netted with asset of the same legal entities	1,911	382	-	-	(1,200)	-	1,093
Deferred income tax liability, net	**(15,116)**	**(1,653)**	**-**	**-**	**1,471**	**2**	**(15,296)**
Deferred income tax, net	**4,508**	**(3,273)**	**(1)**	**(56)**	**(8,184)**	**(1)**	**(7,007)**

7 Income tax (cont'd)

Deferred income tax asset and liability were estimated at 15% rates as at 31 December 2012, except for temporary differences arising from entities operating in Luxembourg and Norway (28.80 % and 28 %, respectively).

The movement in deferred income tax assets and liabilities of the Group during 2012 is as follows:

	Balance as at 31 December 2011	Recognised in the income statement	Recognised in equity	Correction of transfer of tax losses within group	Currency translation	Balance as at 31 December 2012
Deferred tax asset						
Tax loss carry forward for indefinite period of time	9,654	(989)	(1,076)	(11)	-	7,578
Tax loss carry forward till 2014 – 2017	1,398	4,055	-	-	-	5,453
Property, plant and equipment	109	4	-	-	-	113
Investment properties	2,267	480	-	-	-	2,747
Receivables	601	(16)	-	-	-	585
Investments at fair value through profit and loss	15,318	(4,822)	-	-	-	10,496
Inventories	104	(61)	-	-	-	43
Accruals	350	(148)	-	-	-	202
Intangible assets	53	(20)	-	-	3	36
Other	500	117	-	-	-	617
Deferred tax asset available for recognition	30,354	(1,400)	(1,076)	(11)	3	27,870
Less: unrecognised deferred tax asset from tax losses carried forward for indefinite period of time	(3,143)	(351)	-	-	-	(3,494)
Less: unrecognised deferred tax asset due to future uncertainties	(2,372)	(469)	-	-	-	(2,841)
Recognised deferred income tax asset, net	24,839	(2,220)	(1,076)	(11)	3	21,535
Asset netted with liability of the same legal entities	(2,467)	550	-	6	-	(1,911)
Deferred income tax asset, net	**22,372**	**(1,670)**	**(1,076)**	**(5)**	**3**	**19,624**
Deferred tax liability						
Property, plant and equipment	(296)	27	-	-	-	(269)
Intangible assets	(665)	183	-	-	(5)	(487)
Investment properties	(16,046)	301	-	-	-	(15,745)
Investments held for trading	(77)	77	-	-	-	-
Inventories	(38)	8	-	-	-	(30)
Other	(523)	27	-	-	-	(496)
Deferred income tax liability	(17,645)	623	-	-	(5)	(17,027)
Liability netted with asset of the same legal entities	2,467	(550)	-	(6)	-	1,911
Deferred income tax liability, net	**(15,178)**	**73**	**-**	**(6)**	**(5)**	**(15,116)**
Deferred income tax, net	**(7,194)**	**(1,597)**	**(1,076)**	**(11)**	**(2)**	**4,508**

7 Income tax (cont'd)

The movement in deferred income tax assets and liabilities of the Company during 2013 is as follows:

	Balance as at 31 December 2012	Recognised in the income statement	Transfer of tax losses within group	Split-off (Note 3)	Balance as at 31 December 2013
Deferred tax asset					
Tax loss carry forward for indefinite period of time	1,441	(536)	-	(469)	436
Investments at fair value through profit and loss	10,496	(2,557)	-	(7,285)	654
Tax loss carry forward till 2014 - 2018	5,453	2,449	(355)	-	7,547
Accruals	11	(1)	-	(6)	4
Deferred tax asset available for recognition	17,401	(645)	(355)	(7,760)	8,641
Less: unrecognised deferred tax asset from tax losses carried forward till 2014 – 2018	-	(927)	-	-	(927)
Recognised deferred income tax asset, net	17,401	(1,572)	(355)	(7,760)	7,714
Asset netted with liability of the same legal entities	-	(82)	-	20	(62)
Deferred income tax asset, net	**17,401**	**(1,654)**	**(355)**	**(7,740)**	**7,652**
Deferred tax liability					
Investments at fair value through profit and loss	**-**	**(82)**	**-**	**20**	**(62)**
Deferred income tax liability	**-**	**(82)**	**-**	**20**	**(62)**
Liability netted with asset of the same legal entities	**-**	**82**	**-**	**(20)**	**62**
Deferred income tax liability, net	**-**	**-**	**-**	**-**	**-**
Deferred income tax, net	**17,401**	**(1,654)**	**(355)**	**(7,740)**	**7,652**

The movement in deferred income tax assets and liabilities of the Company during 2012 is as follows:

	Balance as at 31 December 2011	Recognised in the income statement	Recognised in equity	Transfer of tax losses within group	Balance as at 31 December 2012
Deferred tax asset					
Tax loss carry forward for indefinite period of time	3,407	(883)	(1,076)	(7)	1,441
Investments at fair value through profit and loss	15,032	(4,536)	-	-	10,496
Tax loss carry forward till 2014 - 2017	1,398	4,277	-	(222)	5,453
Accruals	104	(93)	-	-	11
Deferred tax asset available for recognition	19,941	(1,235)	(1,076)	(229)	17,401
Asset netted with liability of the same legal entities	-	-	-	-	-
Deferred income tax asset, net	**19,941**	**(1,235)**	**(1,076)**	**(229)**	**17,401**
Deferred income tax, net	**19,941**	**(1,235)**	**(1,076)**	**(229)**	**17,401**

7 Income tax (cont'd)

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
Deferred tax assets				
Deferred tax assets to be recovered after more than 12 months	7,566	19,178	7,055	17,307
Deferred tax assets to be recovered within 12 months	723	446	597	94
	8,289	19,624	7,652	17,401
Deferred tax liabilities				
Deferred tax liability to be recovered after more than 12 months	15,296	14,954	-	-
Deferred tax liability to be recovered within 12 months	-	162	-	-
	15,296	15,116	-	-

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:

	Group		Company	
	2013	**2012**	**2013**	**2012**
Accounting profit before tax from continuing operations	23,261	5,513	82,681	22,182
(Loss) profit before tax from a discontinued operation	88,896	29,816	-	-
(Loss) profit before income tax	**112,157**	**35,329**	**82,681**	**22,182**
Tax calculated at the tax rate of 15 %	(16,824)	(5,299)	(12,402)	(3,328)
Tax non-deductible (expenses) / non-taxable income	14,299	2,901	11,803	2,093
Deferred tax expenses arising from write-down or reversal of previous write-down	(1,082)	(152)	(927)	-
The amount of the benefit arising from previously unrecognised tax loss or temporary difference of a prior period that is used to reduce deferred tax expense	(121)	(785)	(128)	-
The amount of the benefit arising from previously unrecognised tax loss or temporary difference of a prior period that is used to reduce current tax expense	2	102	-	-
Tax loss carry forward expiry (derecognition)	-	-	-	-
Withholding income tax	(4)	-	(4)	-
Correction of prior year current income tax	122	52	(33)	-
Different income tax rate in foreign subsidiaries	(17)	(3)	-	-
Income tax credit (expenses) recorded in the income statement	(3,625)	(3,184)	(1,691)	(1,235)
Income tax attributable to a discontinued operation	(351)	(2,819)	-	-
Income tax attributable to a continuing operation	(3,274)	(365)	(1,691)	(1,235)

8. Discontinued operations

As a result of the split –off the Group lost control over AB Vilniaus Baldai, therefore according to IFRS 5, the results of this subsidiary are presented as discontinued operations.

Analysis of the result of discontinued operations, and the result recognised on the re-measurement of net assets is as follows:

	Group	
	2013	2012
Sales revenue	56,285	229,767
Other income	631	904
Changes in inventories of finished goods, work in progress and residential real estate	(143)	7,555
Raw materials and consumables	(36,457)	(157,986)
Employee benefits expenses	(7,912)	(27,381)
Impairment, write-down and provisions	-	(1)
Premises rent and utilities	(1,757)	(4,548)
Depreciation and amortization	(2,029)	(5,388)
Repairs and maintenance cost of premises	(1,912)	(5,188)
Other expenses	(2,390)	(7,895)
Operating profit (loss)	**4,316**	**29,839**
Finance cost	(3)	(23)
Profit (loss) before income tax	**4,313**	**29,816**
Income tax credit (expense)	(351)	(2,819)
Profit (loss) for the period	**3,962**	**26,997**
Gain on the split-off (Note 3)	**84,583**	**-**
Total discontinued operations	**88,545**	**26,997**

Earnings per share in LTL:	2013	2012
Basic from discontinued operations (LTL per share)	2.58	0.51
Diluted from discontinued operations (LTL per share)	2.58	0.50

	Group	
	2013	2012
Operating cash flows	5,157	26,603
Investing cash flows	(8,822)	13,906
Financing cash flows	13,318	(39,244)
Total cash flows	**9,653**	**1,265**

In 2013 employee benefits expense for discontinued operation included LTL 1,862 thousand social security contribution paid by employer (2012: LTL 5,594 thousand) and LTL 541 thousand social security contribution paid by employee (2012: LTL 1,626 thousand).

Revenues of LTL 55,916 thousand (2012: LTL 225,587 thousand) are derived from a single external customer in the furniture production segment.

9. Earnings per share

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

The weighted average number of shares for 2013 and 2012 was as follows:

Calculation of weighted average for the year 2013	Number of shares (thousand)	Par value (LTL)	Issued/365 (days)	Weighted average (thousand)
Shares issued as at 31 December 2012	51,802	1	365/365	51,802
Acquired own shares as at 8 March 2013	(5,180)	1	298/365	(4,229)
Acquired own shares as at 27 May 2013	(1,099)	1	218/365	(656)
Decrease of shares capital as at 31 May 2013	(20,689)	1	214/365	(12,130)
Acquired own shares as at 10 October 2013	(1,843)	1	81/365	(414)
Acquired own shares as at 30 December 2013	(194)	1	1/365	(1)
Shares issued as at 31 December 2013	22,797	1	-	34,372

Calculation of weighted average for 2012	Number of shares (thousand)	Par value (LTL)	Issued/366 (days)	Weighted average (thousand)
Shares issued as at 31 December 2011	51,660	1	366/366	51,660
Shares issued as at 30 March 2012	5,989	1	276/366	4,448
Own shares acquired on 18 May 2012	(5,756)	1	227/366	(3,570)
Shares issued as at 31 December 2011	51,802	1	-	52,538

The following table reflects the income and share data used in the basic earnings per share computations:

	Group		Company	
	2013	2012	2013	2012
Net profit (loss), attributable to the equity holders of the parent from continuing operations	19,834	5,296	80,990	20,947
Net profit, attributable to the equity holders of the parent from discontinued operations	87,441	19,475	-	-
Net profit (loss), attributable to equity holders of the parent for basic earnings	107,275	24,711	80,990	20,947
Weighted average number of ordinary shares (thousand)	34,372	52,538	34,372	52,538
Basic earnings (deficit) per share (LTL)	3.12	0.47	2.36	0.40

For 2013 diluted earnings per share of the Group and the Company are the same as basic earnings per share.

9 Earnings per share (cont'd)

The following table reflects the share data used in the diluted earnings per share computations in 2012:

	Number of shares (thousand)	Issued/366 (days)	Weighted average (thousand)
Weighted average number of ordinary shares for basic earnings per share	-	-	52,538
Potential shares from convertible bond of LTL 25 million (issued on 1 December 2008)	4,545	90/366	1,117
Potential shares from convertible bond of LTL 7.44 million (issued on 8 January 2010)	1,353	90/366	333
Weighted average number of ordinary shares for diluted earnings per share	-	-	53,988

The following table reflects the income data used in the diluted earnings per share computations in 2012:

	Group	Company
	31 December 2012	31 December 2012
Net profit (LTL thousand), attributable to the equity holders of the parent for basic earnings	24,771	20,947
Interest on convertible bond	768	768
Net profit (LTL thousand), attributable to equity holders of the parent for diluted earnings	25,539	21,742
Weighted average number of ordinary shares (thousand)	53,988	53,988
Diluted earnings(deficit) per share (LTL)	0.47	0.40

10. Dividends per share

In 2013 and 2012 dividends were not declared.

11. Property, plant and equipment

Group

	Land	Buildings	Machinery and equipment	Vehicles	Construc-tion in progress	Other property, plant and equipment	Total
Cost:							
Balance as at 31 December 2011	-	33,414	65,459	1,426	599	9,924	110,822
Additions	157	351	10,449	431	219	5,301	16,908
Disposals and write-offs	-	-	(1,456)	(106)	-	(1,572)	(3,134)
Transfers between groups	-	-	2,036	43	(60)	(2,019)	-
Balance as at 31 December 2012	157	33,765	76,488	1,794	758	11,634	124,596
Additions	-	-	4,010	107	260	1,458	5,835
Acquisition of subsidiaries	-	-	-	-	-	6	6
Disposals and write-offs	-	-	(271)	(169)	-	(214)	(654)
Transfers between groups	-	722	1,799	33	(1,011)	(1,543)	-
Split-off (Note 3)	-	(26,828)	(77,244)	(749)	-	(5,295)	(110,116)
Balance as at 31 December 2013	157	7,659	4,782	1,016	7	6,046	19,667
Accumulated depreciation:							
Balance as at 31 December 2011	-	15,529	49,528	534	-	6,972	72,563
Charge for the year	-	1,065	4,805	200	-	1,402	7,472
Disposals and write-offs	-	-	(1,384)	(92)	-	(1,434)	(2,910)
Balance as at 31 December 2012	-	16,594	52,949	642	-	6,940	77,125
Charge for the year	-	574	1,794	192	-	1,191	3,751
Disposals and write-offs	-	-	(264)	(118)	-	(192)	(574)
Split-off (Note 3)	-	(11,895)	(50,393)	(190)	-	(3,567)	(66,045)
Balance as at 31 December 2013	-	5,273	4,086	526	-	4,372	14,257
Net book value as at 31 December 2012	**157**	**17,171**	**23,539**	**1,152**	**758**	**4,694**	**47,471**
Net book value as at 31 December 2013	**157**	**2,386**	**696**	**490**	**7**	**1,674**	**5,410**

11 Property, plant and equipment (cont'd)

Company	Vehicles	Other property, plant and equipment	Total
Cost:			
Balance as at 31 December 2011	154	425	579
Additions	-	10	10
Disposals and write-offs	-	(23)	(23)
Balance as at 31 December 2012	154	412	566
Additions	-	46	46
Disposals and write-offs	-	(65)	(65)
Split-off (Note 3)	(154)	(56)	(210)
Balance as at 31 December 2013	0	337	337
Accumulated depreciation:			
Balance as at 31 December 2011	28	367	395
Charge for the year	25	42	67
Disposals and write-offs	-	(23)	(23)
Balance as at 31 December 2012	53	386	439
Charge for the year	11	21	32
Disposals and write-offs	-	(65)	(65)
Split-off (Note 3)	(64)	(38)	(102)
Balance as at 31 December 2013	0	304	304
Net book value as at 31 December 2012	**101**	**26**	**127**
Net book value as at 31 December 2013	**0**	**33**	**33**

The depreciation charge of the Group's and the Company's property, plant and equipment for the year 2013 amounts to LTL 3,751 thousand and LTL 32 thousand, respectively (in the year 2012 LTL 7,472 thousand and LTL 67 thousand, respectively). Amounts of LTL 1,767 thousand and LTL 32 thousand for the year 2013 (LTL 2,031 thousand and LTL 67 thousand for the year 2012) have been included into operating expenses of continuing operations in the Group's and the Company's income statement, respectively. The depreciation charge of the Group is reduced by LTL 107 thousand of amortization of grants related to assets in 2013 in the income statement (2012: 127 thousand LTL).

Property, plant and equipment of the Group with a net book value of LTL 1,131 thousand as at 31 December 2013 (LTL 1,304 thousand as at 31 December 2012) was pledged to the banks as a collateral for the loans (Note 24).

There were no borrowing cost incurred by the Group and capitalised to the acquisition, construction or production of a qualifying asset for the years 2013 and 2012.

The acquisition cost of the Group's property, plant and equipment that is being prepared for bringing into use amounted to LTL 11,198 thousand as at 31 December 2012, there was no such property as at 31 December 2013. Such property was classified in the category of machinery and equipment.

At the end of 2012, the Group entered into contracts with Homag Holzbearbeitungssysteme GmbH for the acquisition of modern equipment. The total amount of commitments to purchase property, plant and equipment under the contracts was LTL 4,807 thousand as at 31 December 2012. There were no such open commitments as at 31 December 2013.

12. Investment properties

	Group					
	Agricultural land	**Other investment properties valued using sales comparison method**	**Leased Investment properties**	**Investment properties held for future redevelopment**	**2013 Total**	**2012**
Fair value hierarchy	**Level 2**	**Level 2**	**Level 3**	**Level 3**		
Balance at the beginning of the year	**41,787**	**20,098**	**121,502**	**42,200**	**225,587**	**248,957**
Additions	2,723	206	-	-	2,929	3,090
Subsequent expenditure	6	-	-	1,529	1,535	337
Disposals	(560)	(1,076)	-	-	(1,636)	(6,129)
Transfer to inventories	-	-	-	-	-	(11,959)
Split-off (Note 3)	(19,172)	(18,780)	(8,562)	(12,089)	(58,603)	-
Gain from fair value adjustment	11,661	263	1,919	594	14,437	5,988
Loss from fair value adjustment	(358)	-	(2,400)	(943)	(3,701)	(14,697)
Balance at the end of the year	**36,087**	**711**	**112,459**	**31,291**	**180,548**	**225,587**
Unrealised gains and losses for the period included within 'Net gains (losses) from fair value adjustments on investment property' in the income statement	**11,214**	**-**	**(1,170)**	**340**	**10,384**	**(10,669)**

Gains and losses from changes in fair value of investment properties are recognised in the caption "Net gains (losses) from fair value adjustments on investment property" in the income statement.
Investment properties of the Group include office buildings, warehouses, land and flats. The majority of buildings and warehouses are leased under the operating lease agreements and generate rental income amounting to LTL 10,232 thousand in 2013 (LTL 11,907 thousand in 2012). The direct operating expenses arising from investment properties that generated rental income during the year 2013 amounted to LTL 3,128 thousand (LTL 3,731 thousand in 2012).

Investment properties are stated at fair value. Agricultural land and other investment properties are valued by management using sales comparison method. Leased investment properties and investment properties held for future redevelopment were valued using income approach by accredited valuer UAB OBER-HAUS Nekilnojamasis Turtas as at 26 -29 November 2013. There were no significant changes in the market in December 2013 that could have an effect on the value of those investment properties, therefore the updated valuation was not performed as at 31 December 2013. In previous year the fair value of the investment properties has been determined based on the joint valuations performed by the accredited valuers: UAB OBER-HAUS Nekilnojamasis Turtas , and UAB Inreal (the Group company) as at 30 September 2012.

The fair value represents the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date, in compliance with the International Valuation Standards set out by the International Valuation Standards Committee. An investment property's fair value was based either on the market approach by reference to sales in the market of comparable properties or the income approach by reference to rentals obtained from the subject property or similar properties. Market approach refers to the prices of the analogues transactions in the market. These values are adjusted for differences in key attributes such as property size and quality of interior fittings. The most significant input into this valuation approach is price per square metre.

Income approach is based on the assumption that defined correlation between net activity future income and fair value of the objects exists. For leased investment properties main inputs include:
- Future rental cash inflows based on the actual location, type and quality of the properties and supported by the terms of any - existing lease, other contracts or external evidence such as current market rents for similar properties;
- Discount rates reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
- Estimated vacancy rates based on current and expected future market conditions after expiry of any current lease;
- Maintenance costs including necessary investments to maintain functionality of the property for its expected useful life;
- Capitalisation rates based on actual location, size and quality of the properties and taking into account market data at the valuation date;
- Terminal value taking into account assumptions regarding maintenance costs, vacancy rates and market rents.

12 Investment properties (cont'd)

Investment properties held for future redevelopment were estimated taking into account the following estimates (in addition to the inputs noted above):
- Costs to complete that are based on the valuers' experience and knowledge of market conditions and term sheets outlined in approved detailed plans. Costs to complete also include a reasonable profit margin;
- Completion dates, as properties under construction require approval or permits from oversight bodies at various points in the development process, including approval or permits in respect of initial design, zoning, commissioning, and compliance with environmental regulations. Based on management's experience with similar developments, all relevant permits and approvals are expected to be obtained. However, the completion date of the development may vary depending on, among other factors, the timeliness of obtaining approvals and any remedial action required by the Group.

There were no changes to the valuation techniques during the year.

The investment property with a carrying amount of LTL 14,000 thousand is used as leased property that is not its highest and best use, which would be a development into residential real estate. The subsidiary, which owns this investment property, has negative equity and is not capable to develop the property for highest and best use as it would require external financing - with current financial standing neither banks, nor shareholders would provide it. Therefore decision was made not to invest into the property but have stable income from renting it out.

Description of valuation techniques used and key inputs to valuation on investment properties as at November 2013:

	Valuation technique	Significant unobservable inputs	Range (weighted average)
Leased investment properties	Discounted cash flows	Discount rate (%)	8 – 11 (9)
		Capitalisation rate for terminal value (%)	7.5 – 10 (7.6)
		Vacancy rate (%)	5 – 10
		Rent price Lt per sq. m. (without VAT)	6 – 42 (27.90)
Investment properties held for future redevelopment	Discounted cash flows with estimated costs to complete	Discount rate (%)	
		Capitalisation rate for terminal value	15 – 18 (16.4)
		Cost to completion Lt per sq. m (without VAT)	1,900 – 2,250 (1,972)
		Sales price per Lt sq. m. (with VAT)	4,200 – 8,000 (4,869)

Discount rates used to determine the fair value of the investment properties that are leased out, calculated based on future lease and sale cash flow projections as at 30 September 2012 was 8.5 - 13.82 % Capitalisation rate used to determine the terminal value of the properties as at 30 September 2012 was 7.22- 10.82 % Capitalisation rate used to determine the fair value of the investment properties held for the future redevelopment, that are calculated based on sale cash flow projections, as at 30 September 2012 was 15 - 20 %.

The sensitivity analysis of investment properties valued using income approach as at 31 December 2013 is as follows:

Estimates	Increase of estimates		Decrease of estimates	
	Leased Investment properties	Investment properties held for future redevelopment	Leased Investment properties	Investment properties held for future redevelopment
Change in future rental rates by 10 %	10,890	-	(10,790)	-
Change in future sale prices of developed properties by 10%	-	9,950	-	(8,940)
Change in construction costs by 10%	-	(5,410)	-	6,520
Change in expected vacancy rates by 20%	(1,260)	-	1,260	-
Change in discount and capitalization rate by 50 bps	(7,070)	(980)	7,930	220

12 Investment properties (cont'd)

The sensitivity analysis of investment properties valued using income approach as at 31 December 2012 is as follows:

Estimates	Increase of estimates		Decrease of estimates	
	Leased Investment properties	Investment properties held for future redevelopment	Leased Investment properties	Investment properties held for future redevelopment
Change in future rental rates by 10 %	13,493	-	(13,361)	-
Change in future sale prices of developed properties by 10%	-	26,340	-	(20,840)
Change in construction costs by 10%	-	(16,780)	-	22,120
Change in expected vacancy rates by 20%	(1,719)	-	1,649	-
Change in discount and capitalization rate by 50 bps	(7,442)	(800)	8,808	1,300

During 2013 the Group has acquired investment properties for LTL 2,929 thousand (2012: LTL 3,090 thousand), including agricultural land for LTL 2,723 thousand (2012: LTL 2,976 thousand). During 2013 investment properties were sold for LTL 1,636 thousand (2012: LTL 6,129 thousand). In 2012 the main deal was sale of commercial property, located in Donelaičio street 33, in Kaunas. The sale price was equal to LTL 4,754 thousand. In 2013 the Group has disposed the investment properties with carrying amount of LTL 57,914 thousand due to split-off of the Company (Note 3).

In 3rd Quarter of 2012 assets located in Klaipėda and Nida, with carrying value LTL 11,959 thousand were reclassified from investment property to inventories.

As at 31 December 2013 investment properties with carrying amount of LTL 143,750 thousand (LTL 146,465 thousand as at 31 December 2012) were pledged to the banks as collateral for the loans (Note 24).

There were no restrictions on the realisation of investment properties or the remittance of income and proceeds of disposals as at 31 December 2013. No material contractual obligations to purchase, construct, repair or enhance investment properties existed at year end, except the Group has signed future purchase agreement regarding agricultural land, which was completed in January 2014 (purchase price LTL 883 thousand), and has signed future sale agreement regarding agricultural land with carrying amount of LTL 60 thousand.

13. Intangible assets

Group	Goodwill	Contracts and customer relationship	Software	Other intangible assets	Total
Cost:					
Balance as at 31 December 2011	1,600	15,371	1,643	252	18,866
Additions	-	-	256	597	853
Disposals and write-offs	-	(4)	(50)	(4)	(58)
Transfers between groups	-	(1)	178	(177)	-
Difference of foreign currency exchange	-	19	-	-	19
Balance as at 31 December 2012	1,600	15,385	2,027	668	19,680
Additions	-	-	310	15	325
Disposals and write-offs	-	-	-	-	-
Transfers between groups	-	-	-	-	-
Split-off (Note 3)	-	-	(1,073)	(567)	(1,640)
Difference of foreign currency exchange	-	-	-	-	-
Balance as at 31 December 2013	1,600	15,385	1,264	116	18,365
Accumulated amortisation:					
Balance as at 31 December 2011	-	5,015	751	26	5,792
Charge for the year	-	2,120	408	26	2,554
Disposals and write-offs	-	(4)	(50)	(4)	(58)
Transfers between groups	-	(1)	-	1	-
Difference of foreign currency exchange	-	2	-	-	2
Balance as at 31 December 2012	-	7,132	1,109	49	8,290
Charge for the year	-	1,941	460	30	2,431
Disposals and write-offs	-	-	-	-	-
Transfers between groups	-	-	-	-	-
Split-off (Note 3)	-	-	(622)	(5)	(627)
Difference of foreign currency exchange	-	8	-	-	8
Balance as at 31 December 2013	-	9,081	947	74	10,102
Net book value as at 31 December 2012	**1,600**	**8,253**	**918**	**619**	**11,390**
Net book value as at 31 December 2013	**1,600**	**6,304**	**317**	**42**	**8,263**

13 Intangible assets (cont'd)

Company	Software	Other intangible assets	Total
Cost:			
Balance as at 31 December 2011	27	-	27
Additions	11	-	11
Disposals and write-offs	-	-	-
Balance as at 31 December 2012	38	-	38
Additions	45	-	45
Disposals and write-offs	-	-	-
Balance as at 31 December 2013	83	-	83
Accumulated amortisation:			
Balance as at 31 December 2011	20	-	20
Charge for the year	5	-	5
Disposals and write-offs	-	-	-
Balance as at 31 December 2012	25	-	25
Charge for the year	8	-	8
Disposals and write-offs	-	-	-
Balance as at 31 December 2013	33	-	33
Net book value as at 31 December 2012	**13**	**-**	**13**
Net book value as at 31 December 2013	**50**	**-**	**50**

The amortisation charge of the Group's and the Company's intangible assets for the year ended 31 December 2013 amounts to LTL 2,431 thousand and LTL 8 thousand, respectively (in the year 2012 LTL 2,554 thousand and LTL 5 thousand, respectively). Amounts of LTL 2,386 thousand and LTL 8 thousand for the year 2013 (LTL 2,424 thousand and LTL 5 thousand for the year 2012) have been included into operating expenses of continuing operations in the Group's and the Company's income statement, respectively.

The goodwill was acquired through business combination in the information – technology segment and has been allocated to cash-generating unit of NRD subgroup. In 2013 the recoverable amount of cash generating unit 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 % (2012: 11.90%), cash flows within the 5-year period are extrapolated using 5 % growth rate (2012: 5 %) and cash flows beyond 5-year period are extrapolated using 2 % growth rate (2012: 2%).

Main intangible assets of the Group are:

- Contracts and customer relationship acquired during acquisition of UAB BAIP in 2007 (information technology sector). Its carrying amount equals LTL 3,901 thousand and remaining estimated useful live is 4 years as of 31 December 2013.
- Dwelling-houses facilities management contracts acquired during acquisition of UAB Priemiestis in 2010. Their carrying amount equals LTL 550 thousand and remaining estimated useful live is 1.6 years as of 31 December 2013.
- The market management contract acquired during acquisition of UAB Priemiestis in 2010. Its carrying amount equals LTL 524 thousand and remaining estimated useful live is 7.6 years as of 31 December 2013.
- Contracts and customer relationship acquired during acquisition of NRD AS in 2011 (information technology sector). Its carrying amount equals LTL 1,033 thousand and remaining estimated useful live is 8 years as of 31 December 2013.

14. Financial instruments by category

Group	Available-for-sale	Loans and receivables	Assets at fair value through the profit and loss	Total
31 December 2013				
Assets as per statement of financial position				
Investments available-for-sale	1,705	-	-	1,705
Trade and other receivables long term	-	1,867	-	1,867
Trade and other receivables short term excluding tax receivables	-	19,211	-	19,211
Financial assets at fair value through profit and loss	-	-	5,602	5,602
Current loans granted	-	30,323	-	30,323
Restricted cash	-	5,640	-	5,640
Cash and cash equivalents	-	6,463	-	6,463
Total	**1,705**	**63,504**	**5,602**	**70,811**

Group	Available-for-sale	Loans and receivables	Assets at fair value through the profit and loss	Total
31 December 2012				
Assets as per statement of financial position				
Investments available-for-sale	2,859	-	-	2,859
Trade and other receivables long term	-	5,156	-	5,156
Trade and other receivables excluding tax receivables	-	32,417	-	32,417
Financial assets at fair value through profit and loss	-	-	32,974	32,974
Current loans granted	-	31,730	-	31,730
Restricted cash	-	3,602	-	3,602
Term deposits	-	21,418	-	21,418
Cash and cash equivalents	-	56,092	-	56,092
Total	**2,859**	**150,415**	**32,974**	**186,248**

Group	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Total
31 December 2013			
Liabilities as per statement of financial position			
Borrowings	109,734	-	109,734
Finance lease liabilities	214	-	214
Trade payables	10,417	-	10,417
Other liabilities excluding tax payables and employee benefit payables	2,735	-	2,735
Total	**123,100**	**-**	**123,100**

Group	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Total
31 December 2012			
Liabilities as per statement of financial position			
Borrowings	105,357	-	105,357
Finance lease liabilities	629	-	629
Trade payables	28,373	-	28,373
Other liabilities excluding tax payables and employee benefit payables	6,603	114	6,717
Total	**140,962**	**114**	**141,076**

14 Financial instruments by category (cont'd)

Company	Available-for-sale	Loans and receivables	Assets at fair value through the profit and loss	Total
31 December 2013				
Assets as per statement of financial position				
Investments available-for-sale	1,705	-	-	1,705
Non-current loan granted	-	21,396	-	21,396
Trade and other receivables	-	2,912	-	2,912
Financial assets at fair value through profit and loss	-	-	5,602	5,602
Current loans granted	-	55,061	-	55,061
Cash and cash equivalents	-	2,515	-	2,515
Total	**1,705**	**81,884**	**5,602**	**89,191**

Company	Available-for-sale	Loans and receivables	Assets at fair value through the profit and loss	Total
31 December 2012				
Assets as per statement of financial position				
Investments available-for-sale	1,817	-	-	1,817
Non-current loan granted	-	82,862	-	82,862
Trade and other receivables	-	273	-	273
Financial assets at fair value through profit and loss	-	-	32,974	32,974
Current loans granted	-	104,193	-	104,193
Term deposits	-	41	-	41
Cash and cash equivalents	-	33,530	-	33,530
Total	**1,817**	**220,899**	**32,974**	**255,690**

Company	**31 December 2013**	**31 December 2012**
Liabilities as per statement of financial position	Financial liabilities at amortised cost	
Borrowings	12,682	9,125
Trade payables	305	55
Other current payables excluding tax payables and employee benefit payables	1,481	2,061
Total	**14,468**	**11,241**

15. Fair value estimation

Financial instruments that are not carried at fair value

The Group's and the Company'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 and investments available-for-sale.

The fair value represents the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

The carrying amount of the financial assets and financial liabilities of the Group and the Company as at 31 December 2013 and 2012 approximated their fair value, except for bank borrowings as at 31 December 2013. The fair value of bank borrowings as at 31 December 2013 was LTL 106,928 thousand (the carrying amount – LTL 107,465 thousand). The fair value of bank borrowings as at 31 December 2012 was LTL 98,659 thousand (the carrying amount – LTL 104,593 thousand). The fair values are based on cash flows discounted using 2.09 % and 4.47 % interest rate as at 31 December 2013 and 2012, respectively. It is Level 3 fair value measurement.

The carrying amount of loans granted by the Company approximates their fair value because the interest rates are reviewed and adjusted when market rates change. Their value are based on cash flows discounted using 5.9 % and 5,2 % interest rate as at 31 December 2013 and 2012, respectively. It is Level 3 fair value measurement.

15 Fair value estimation (cont'd)

Financial instruments carried at fair value

The tables below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

See Note 12 for disclosures of the investment properties' fair value estimation.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange and those prices represent actual and regularly occurring market transactions on arm's length basis. The quoted market price used for financial assets held by the Group is the measurement date exchange closing price.

The following table presents the Group's and the Company's financial assets and liabilities that are measured at fair value at 31 December 2013:

	Level 1	Level 2	Level 3	Total balance
Assets				
Financial assets designated upon initial recognition at fair value through profit or loss				
- Infrastructure construction and energy sector – equity securities	1,609	-	-	1,609
Financial assets held for trading				
Equity securities				
- Food industry	2,126	-	-	2,126
- Bank sector	1,867	-	-	1,867
Total Assets	5,602	-	-	5,602
Liabilities	-	-	-	-

The following table presents the Group's and the Company's financial assets and liabilities that are measured at fair value at 31 December 2012:

	Level 1	Level 2	Level 3	Total balance
Assets				
Financial assets designated upon initial recognition at fair value through profit or loss				
- Infrastructure construction and energy sector – equity securities	9,958	-	-	9,958
Financial assets held for trading				
Equity securities				
- Food industry	2,210	-	-	2,210
- Bank sector	2,870	-	-	2,870
Debt securities				
- Oil and gas exploration and production	2,668	-	-	2,668
- Bank sector		15,268		15,268
Total Assets	17,706	15,268	-	32,974
Financial liabilities at fair value through profit or loss				
Contingent consideration	-	-	114	114
Total Liabilities	-	-	114	114

15 Fair value estimation (cont'd)

During 2013 and 2012, there were no transfers between Level 1 and Level 2 fair value measurements. In 2012 Level 2 includes acquired unlisted bonds of financial institution which is listed on NASDAQ OMX Vilnius. They were sold in 2013.

The available-for-sale financial assets owned by the Group are measured at cost in accordance with IAS 39 because their fair value cannot be measured reliably, as they have no quoted market prices in an active market.

Financial instruments in Level 3

The following table presents the changes in Level 3 instruments for the year ended 31 December 2013.

	Contingent consideration in business combination	Total
Opening balance	114	114
Gains and losses recognised in profit or loss	(114)	(114)
Closing balance	-	-
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	-	-

The following table presents the changes in Level 3 instruments for the year ended 31 December 2012.

	Contingent consideration in business combination	Total
Opening balance	156	156
Gains and losses recognised in profit or loss	(42)	(42)
Closing balance	114	114
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	(42)	(42)

Gains and losses from Level 3 financial instruments are recognised in the caption "Net changes in fair value of financial instruments at fair value through profit loss".

Level 3 financial instruments represent the contingent consideration arrangement that required the Group to pay the former owners of Norway Registers Development, AS 50% of the positive difference between the total EBITDA for the years 2011–2013 and EUR 900 thousand (LTL 3,108 thousand). The fair value of the contingent consideration arrangement of LTL 156 thousand was estimated by applying the income approach at the date of acquisition. As at 31 December 2012, there was a decrease of LTL 42 thousand recognised in the income statement as the actual EBITDA for 2011 – 2012 was below the forecasted EBITDA. As at 31 December 2013, there was a further decrease of LTL 114 thousand recognised in the income statement for the contingent consideration arrangement, because the actual EBITDA for 2011 – 2013 was below the forecasted EBITDA and the Group has not paid any contingent consideration.

16. Financial assets available-for-sale and at fair value through profit and loss

	Group		Company	
	2013	**2012**	**2013**	**2012**
Available-for-sale				
Ordinary shares – unquoted (carried at cost)	1,705	2,859	1,705	1,817
	1,705	2,859	1,705	1,817
Held-for-trading				
Ordinary shares - quoted	3,993	5,080	3,993	5,080
Bonds	-	17,936	-	17,936
	3,993	23,016	3,993	23,016
Designated at fair value through profit and loss on initial recognition				
Ordinary shares - quoted	1,609	9,958	1,609	9,958
	1,609	9,958	1,609	9,958
Total financial assets at fair value through profit and loss	5,602	32,974	5,602	32,974

The fair value of the quoted ordinary shares and listed bonds is determined by reference to published price quotations in the active market (level 1).

The unquoted ordinary shares are measured at cost. The fair value of unquoted ordinary shares has not been disclosed because the fair value cannot be measured reliably. The Company, as a non-controlling shareholder, is getting only limited information about these investments. There is only a limited number of comparable companies in Europe. No liquid market for these securities exists, only small deals are noticed in recent years. The Company intends to dispose of these shares in case majority stake of the company is sold to another investor or if current shareholders will offer attractive price.

The fair value of bonds that are not traded in an active market is determined by using observable market data (taking for basis listed bonds of comparable issuers with similar remaining maturity, cash flow pattern, currency, credit risk and interest basis).

The credit quality of debt securities can be assessed by reference to external credit ratings of the issuer:

	Group		Company	
	2013	**2012**	**2013**	**2012**
Moody's ratings				
Prime-2	-	2,668	-	2,668
Not Prime	-	15,268	-	15,268
	-	17,936	-	17,936

17. Loans granted

The Group's and the Company's loans granted are described below:

	Group		Company	
	2013	**2012**	**2013**	**2012**
Loans granted to third parties	18,454	31,669	16,161	28,164
Secured loans granted to third parties	7,800	30,209	7,769	30,179
Loans granted to subsidiaries	-	-	47,017	158,501
Loans granted to other related parties	22,336	7,329	22,337	6,621
	48,590	69,207	93,284	223,465
Less: long-term loans	-	-	(21,396)	(82,862)
Less: allowance for impairment to third parties	(12,459)	(31,669)	(10,167)	(28,164)
Less: allowance for impairment to subsidiaries	-	-	(852)	(2,438)
Less: allowance for impairment to other related parties	(5,808)	(5,808)	(5,808)	(5,808)
Total allowance for impairment	(18,267)	(37,477)	(16,827)	(36,410)
Total short-term loans granted	**30,323**	**31,730**	**55,061**	**104,193**

As at 31 December 2012 the Group and the Company had secured loans to third parties with the maturity term till March 2013. These loans were repaid on time.

As at 31 December 2013 the Group and the Company had the loan receivable from to SIA Dommo Bizness parks, which was acquired from the bank for LTL 7,769 thousand and is secured by the pledge of investment property owned by the debtor.

Loans granted to other related parties and to subsidiaries are disclosed in more details in Note 31.

As at 31 December 2013 the Group's and the Company's loans granted with nominal value of LTL 32,061 thousand and LTL 30,590 thousand, respectively, were impaired (as at 31 December 2012 LTL 37,508 thousand and LTL 46,135 thousand, respectively). The net amounts of impaired loans of LTL 13,794 thousand and LTL 13,763 thousand are recognised in the statement of financial position of the Group and the Company, respectively (LTL 31 thousand and LTL 9,725 thousand in 2012, respectively).

Movements in the allowance for impairment of granted loans (assessed individually) were as follows:

	Individually impaired	
	Group	**Company**
Balance as at 31 December 2011	39,401	44,087
Charge for the year	-	823
Write-offs charged against the allowance	(985)	(799)
Recoveries of amounts previously written-off	(939)	(1,081)
Reclassification of allowance on loans capitalized within share capital of subsidiaries and joint ventures	-	(6,620)
Balance as at 31 December 2012	37,477	36,410
Charge for the year	816	241
Write-offs charged against the allowance	-	-
Recoveries of amounts previously written-off	(5,269)	(5,266)
Reclassification of allowance on loans capitalized within share capital of subsidiaries and joint ventures	-	-
Split-off (Note 3)	(14,757)	(14,558)
Balance as at 31 December 2013	18,267	16,827

Changes in allowance for impairment of loans granted for the year 2013 and 2012 have been included within 'impairment, write down and provisions' expenses in the income statement (Note 6.2.). The Group and the Company have reversed part of impairment losses of loans granted to Latvian real estate entities (Note 6.2). In 2013 and 2012 at the Company level additional impairment losses of loans granted to subsidiaries operating in real estate segment were recognised due to decrease in value of net assets of these subsidiaries.

17 Loans granted (cont'd)

The ageing analysis of loans granted of the Group as at 31 December 2013 and 2012 is as follows:

		Granted loans past due but not impaired				
	Granted loans neither past due not impaired	Less than 30 days	30–90 days	90–180 days	More than 180 days	Total
2013	16,529	-	-	-	-	16,529
2012	31,699	-	-	-	-	31,699

The ageing analysis of loans granted of the Company as at 31 December 2013 and 2012 is as follows:

		Granted loans past due but not impaired				
	Granted loans neither past due not impaired	Less than 30 days	30–90 days	90–180 days	More than 180 days	Total
2013	62,693	-	-	-	-	62,693
2012	177,330	-	-	-	-	177,330

All granted loans neither past due nor impaired as at 31 December 2013 and 2012 have no history of counterparty defaults.

18. Inventories

	Group					
	2013			2012		
	Acquisition cost	Write-down	Carrying value	Acquisition cost	Write-down	Carrying value
Raw materials	1,793	-	1,793	5,176	(80)	5,096
Work in progress	48	-	48	2,488	-	2,488
Finished goods	568	(305)	263	12,859	(16)	12,843
Residential real estate	-	-	-	16,981	-	16,981
Goods for resale	683	(99)	584	2,227	(71)	2,156
	3,092	(404)	2,688	39,731	(167)	39,564

The acquisition cost of the Group's inventories excluding residential real estate accounted for at net realisable value as at 31 December 2013 amounted to LTL 694 thousand (LTL 252 thousand as at 31 December 2012). Changes in the allowance for inventories for the years ended 31 December 2013 and 2012 have been included within 'impairment, write down and provisions' expenses in the income statement (Note 6.2.).

19. Trade and other receivables

	Group		Company	
	2013	2012	2013	2012
Trade and other receivables, gross	23,199	45,820	3,348	893
Taxes receivable, gross	355	3,416	-	-
Less: long term trade and other receivables	(1,867)	(5,156)	(1,202)	-
Less: allowance for doubtful trade and other receivables	(2,121)	(8,247)	(436)	(620)
	19,566	35,833	1,710	273

Changes in allowance for doubtful trade and other receivables for the year 2013 and 2012 have been included within 'impairment, write down and provisions' expenses in the income statement (Note 6.2.).

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 31.

As at 31 December 2013 the Group's and the Company's trade and other receivables with nominal value of LTL 2,440 thousand and LTL 436 thousand, respectively, were impaired (as at 31 December 2012 LTL 8,247 thousand and LTL 620 thousand, respectively). The net amounts of LTL 319 thousand and LTL nil , respectively, are presented in the statement of financial position of the Group and the Company (as at 31 December 2012 LTL 39 thousand and LTL nil).

In 2012 shares classified as financial assets held for trading were sold in two transactions with the same counterparty. The receivables in amount of LTL 2,405 thousand from this transaction are interest bearing, have to be settled till 2015, and are secured by the pledge of sold shares.

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

	Individually impaired	
	Group	Company
Balance as at 31 December 2011	8,183	620
Charge for the year	139	-
Write-offs charged against the allowance	(12)	-
Recoveries of amounts previously written-off	(63)	-
Acquisition of subsidiaries	-	-
Balance as at 31 December 2012	8,247	620
Charge for the year	577	98
Write-offs charged against the allowance	(7)	-
Recoveries of amounts previously written-off	(24)	-
Split-off (note 3)	(6,672)	(282)
Acquisition of subsidiaries	-	-
Balance as at 31 December 2013	2,121	436

19 Trade and other receivables (cont'd)

The ageing analysis of trade and other receivables of the Group as at 31 December 2013 and 2012 is as follows:

		Trade receivables past due but not impaired				
	Trade receivables neither past due nor impaired	**Less than 30 days**	**30–90 days**	**90–180 days**	**More than 180 days**	**Total**
2013	16,674	1,347	658	599	1,481	20,759
2012	30,450	4,500	1,593	393	598	37,534

The ageing analysis of trade and other receivables of the Company as at 31 December 2012 and 2012 is as follows:

		Trade receivables past due but not impaired				
	Trade receivables neither past due nor impaired	**Less than 30 days**	**30–90 days**	**90–180 days**	**More than 180 days**	**Total**
2013	2,767	4	7	134	-	2,912
2012	224	-	-	-	49	273

<u>Credit quality of financial assets neither past due nor impaired</u>

All trade receivables neither past due nor impaired as at 31 December 2013 and 2012 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 and the Company 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.

<u>Long term contracts in progress</u>

	2013	**2012**
Costs incurred on long term contracts in progress and profit earned *	20,621	12,017
Less: Progress billings	(18,820)	(10,332)
Revenue from long term contracts	12,042	10,946
Amounts due from customers for long term contract work	1,914	1,722
Amounts due to customers for long term contract work	209	-

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'.

* 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.

20. Cash and cash equivalents, term deposits

	Group		Company	
	2013	**2012**	**2013**	**2012**
Cash at bank	6,298	32,194	2,515	9,719
Cash on hand	16	15	-	-
Cash in transit	149	72	-	-
Term deposits with the maturity up to 3 months	-	23,811	-	23,811
	6,463	56,092	2,515	33,530

Cash at bank earns interest at floating rates based on daily bank deposit rates.

The Group's foreign and local currency accounts in banks amounting to LTL 62 thousand as at 31 December 2013 (LTL 1,288 thousand as at 31 December 2012) are pledged to the banks as collateral in relation to the loan, respectively (Note 24).

As at 31 December 2013, the Group and the Company had term deposits at banks with the maturity of more than 3 months.

	Group	**Company**
Deposit's certificate of AB Bankas Snoras	10,910	10,910
Accumulated interest	55	55
Less allowance for impairment as consequence of AB Bankas Snoras insolvency	(10,965)	(10,965)
	-	-

20 Cash and cash equivalents, term deposits (cont'd)

As at 31 December 2012, the Group and the Company had term deposits at banks with the maturity of more than 3 months.

	Group	Company
Deposits with the maturity between 3 and 6 months	9,020	-
Deposits with the maturity more than 6 months	12,316	-
Deposit's certificate of AB Bankas Snoras	20,000	20,000
Accumulated interest	182	141
Less allowance for impairment as consequence of AB Bankas Snoras insolvency	(20,100)	(20,100)
	21,418	**41**

On 24 November 2011, the Bank of Lithuania announced AB Bankas Snoras as insolvent and revoked the licence. According to the public information about AB Bankas Snoras, most likely is that bank's assets were significantly below the liabilities already on 30 September 2011. Therefore the management of the Company decided to recognise allowance for impairment of deposit's certificate in full amount.

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
Moody's ratings				
Prime-1	5,816	51,900	2,404	33,342
Prime-2	4	3,267	-	-
Not Prime	326	624	5	1
Not rated	152	214	106	187
	6,298	56,005	2,515	33,530

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
Moody's ratings				
Prime-1	-	41	-	41
Prime-2	-	21,377	-	-
Not Prime	-	-	-	-
Not rated	-	-	-	-
	-	21,418	-	41

21. Restricted cash

The part of restricted cash amounting to LTL 1,353 thousand as at 31 December 2013 (LTL 1,353 thousand as at 31 December 2012) represents the balance of cash received by the Group company AB Invalda Nekilnojamojo Turto Fondas for sold investment properties which were pledged to Nordea Bank Finland Plc Lithuania Branch. The subsidiary has no ability to use these funds except for repayment of the loan and payment of interest. Also the cash amounting to LTL 417 thousand was restricted for use in other subsidiaries based on conditions in agreements with Nordea Bank Finland Plc Lithuania Branch.

The other amount of restricted cash represents funds deposited at administrating entities by the residents of dwelling houses and was LTL 1,316 thousand as at 31 December 2013 (LTL 1,407 thousand as at 31 December 2012).

The amount of LTL 2,554 thousand of restricted cash represents frozen cash in other banks deposited to secure service contracts in information technology segment.

22. Share capital and share premium

The total authorised number of ordinary shares is 24,833,551 (as of 31 December 2012: 51,802,146 shares) with a par value of LTL 1 per share (as of 31 December 2012: LTL 1 per share). All issued shares are fully paid.

Changes during 2012

On 1 December 2008 non-public convertible bonds of LTL 25,000 thousand were issued. On 30 January 2010 non-public convertible bonds of LTL 7,440 thousand were issued. These issues were redeemed by the persons related with the shareholders of the Company.

The application from the bondholders to convert LTL 32,440 thousand par value bonds (par value of one bond is LTL 100) into the shares of the Company was received on 28 March 2012. The bonds were converted into 5,898,182 shares of LTL 1 par value on 30 March 2012, when new By-laws of the Company were registered. After the conversion, share capital of the Company was increased by LTL 5,898 thousand up to LTL 57,558 thousand and divided into 57,557,940 shares of LTL 1 par value. The conversion price was LTL 5.50 per share. The share premium was increased by LTL 26,542 thousand, as established in the terms of bond conversion and required by Lithuanian legislation. The bond holders paid back earlier received interest of LTL 4,788 thousand and forfeited the accrued interest of LTL 2,386 thousand as at 30 March 2012. Both these amounts were reversed through retained earnings. The current income tax expenses of LTL 1,076 thousand were also recognised directly through retained earnings. As a result of the conversion, the Company's and the Group's equity increased by LTL 38,538 thousand.

The share buy-back was announced on 30 April 2012 and exercised from 2 to 15 May 2012. The Company has offered to buy 10 % of own shares for LTL 10.358 for each share. All 10 % of own shares – 5,755,794 shares were acquired for LTL 59,659 thousand, including brokerage fees. Acquired own shares did not have voting rights.

On 24 May 2012 the shareholders of the Company decided to reduce the share capital to LTL 51,802,146 by cancelling own shares. On 6 August 2012, the new version of the Articles of Association of the Company was registered. According to the Articles of Association the share capital was reduced from LTL 57,557,940 to LTL 51,802,146 by cancelling 5,755,794 ordinary registered shares with par value of LTL 1, which the Company had acquired in May. This way the decision of shareholders' meeting, which occurred on 24 May 2012, was implemented.

Changes during 2013

During the six month period ended 30 June 2013 the Company implemented two share buy-backs. The first share buy-back took place from 19 February until 5 March through the market of official offer. Maximum number of shares to be acquired was set at 5,180,214. Share acquisition price was established at LTL 8,287 per share. All offered shares were bought-back, and the Company has paid for own shares LTL 42,956 thousand, including brokerage fees. The second share buy-back took place from 10 April until 24 May through the market of official offer according to the split-off terms. The shareholders holding the shares with the nominal value of less than 1/10 of the authorized capital of the Company, except the shareholders whose rights to sell shares to the Company during the split – off were limited according to the split – off terms, had a right to request that their shares are be redeemed by the Company within 45 days after approval of the split – off terms by the general meeting of shareholders (until 24 May 2013). The number of shares acquired during this buy-back was 1,099,343. Share acquisition price was established at LTL 8,076 per share. The Company has paid for own shares LTL 8,889 thousand, including brokerage fees.

According to the terms of the split-off 6,279,557 acquired own shares were cancelled, and the reserve for the acquisition of own shares was decreased by LTL 45,566 thousand. In addition, according to the terms of the split-off, 20,689,038 shares, which were owned by the shareholders, were transferred to the share capital of AB Invalda Privatus Kapitalas.

From 24 September 2013 until 7 October 2013 the third share buy-back took place. Maximum number of shares to be acquired was set at 2,000,000. Share acquisition price was established at EUR 2.90 (LTL 10.01) per share**.** During this buy-back 1,842,553 shares (7.42% of share capital) were acquired for LTL 18,465 thousand, including brokerage fees. The main shareholders had also sold some of their shares to the Company. The acquired shares were settled on 10 October 2013.

From 16 until 20 December 2013 the forth share buy-back took place. Maximum number of shares to be acquired was set at 248,335. Share acquisition price was established at EUR 3.50 (LTL 12.08) per share**.** During this buy-back 193,701 shares (0.78% of share capital) were acquired for LTL 2,348 thousand, including brokerage fees. The shares were sold only by minor shareholders during the fourth share buy-back. The acquired shares were settled on 30 December 2013.

There was no decision of shareholders of the Company taken to further reduce the share capital by cancelling own shares, therefore own shares with a nominal value of LTL 2,036 thousand and acquisition value of LTL 20,813 thousand are presented on the balance sheet as at 31 December 2013.

23. Reserves

The movements in legal and other reserves are as follows:

Group	Legal reserve	Reserve for acquisition of own shares	Share based payments reserve	Other reserves	Foreign currency reserve	Total
As at 31 December 2011	**1,330**	**18,002**	**289**	**678**	**-**	**20,299**
Exchange differences on translation of foreign operations	-	-	-	-	34	34
Transfer to reserves	5,892	269,228	-	(27)	-	275,093
Decrease of share capital (Note 22)	-	(53,903)	-	-	-	(53,903)
As at 31 December 2012	**7,222**	**233,327**	**289**	**651**	**34**	**241,523**
Exchange differences on translation of foreign operations	-	-	-	-	(96)	(96)
Split-off (Note 3)	(3,499)	(95,102)	-	-	-	(98,601)
Sales of subsidiaries	9	-	-	-	-	9
Transfer to reserves	23	-	-	-	-	23
Decrease of share capital (Note 22)	-	(45,566)	-	-	-	(45,566)
As at 31 December 2013	**3,755**	**92,659**	**289**	**651**	**(62)**	**97,292**

On 30 April 2012, the shareholders of the Company decided to transfer LTL 269,114 thousand from retained earnings to the reserve for the acquisition of own shares and LTL 5,756 thousand to the legal reserve. In other entities of the Group amounts of LTL 136 thousand and 114 thousand were transferred from retained earnings, attributable to the equity holder of the parent, to legal reserve and reserve for acquisition of own shares.

Legal reserve

Legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5 % of net profit, calculated in accordance with the statutory financial statements, are compulsory until the reserve reaches 10 % of the share capital. The reserve can be used only to cover the accumulated losses.

Reserve for the acquisition of own shares

Own shares reserve is formed for the purpose of buying own shares in order to keep their liquidity and manage price fluctuations.

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 key management personnel of information technology segment, as part of their remuneration in 2009. From 2010 all share-based payments are attributed fully to the non-controlling interest. The key management personnel has the right to share option subject to the information technology segment achieving its target of EBITDA for years 2009 – 2012 (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, 2012 and 2013 EBITDA target was not reached, but in 2010 and 2011 the target was reached. The value of share based payments was calculated using binomial method. In 2013 reversal of expenses of LTL 344 thousand was recognised within "employee benefits expenses". The reversal of expenses of LTL 93 thousand were recognised within "employee benefits expenses" in 2012.

24. Borrowings

	Group		Company	
	2013	**2012**	**2013**	**2012**
Non-current:				
Non-current bank borrowings	55,824	98,520	-	-
Other borrowings	-	217	-	-
	55,824	98,737	-	-
Current:				
Current portion of non-current borrowings	43,608	6,071	-	-
Current bank borrowings	8,033	2	7,775	-
Other borrowings	2,269	547	-	-
Borrowings from related parties	-	-	4,907	9,125
	53,910	6,620	12,682	9,125
Total borrowings	109,734	105,357	12,682	9,125

Some of the Company's borrowings are from related parties. Please refer to Note 31 for more details.

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

	Group		Company	
Borrowings denominated in:	**2013**	**2012**	**2013**	**2012**
EUR	105,100	101,480	7,775	8,601
LTL	4,634	3,877	4,907	524
	109,734	105,357	12,682	9,125

Borrowings at the end of the year with fixed or floating interest rate (with changes in 1, 3, 6 months period) were as follows:

	Group		Company	
Interest rate type:	**2013**	**2012**	**2013**	**2012**
Fixed	11,179	38,383	12,682	9,125
Floating	98,555	66,974	-	-
	109,734	105,357	12,682	9,125

24 Borrowings (cont'd)

The amounts pledged to the banks are as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
Property, plant and equipment	1,131	1,304	-	-
Investments into subsidiaries and associates	19,313	-	-	-
Investment properties	143,750	146,465	-	-
Cash	62	1,288	-	-
Restricted cash	1,618	1,865	-	-
Trade receivables	1,104	64	-	-
Granted loans	31	-	12,106	12,106

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
Borrowings	1.91%	2.93%	3.03%	5%

In 2013 and 2012 all Group entities have complied with bank loan covenants.

After split-off the Company together with AB Invalda Privatus Kapitalas had announced a tender offer to buy up the shares of AB Vilniaus Baldai. Since, according to the law, it is required to have available all the cash that would be needed if all remaining shareholders of AB Vilniaus Baldai would respond to the tender offer, the loan of LTL 17,000 thousand was taken by the Company from DNB bank in June 2013. After completion of the tender offer the Company has repaid the loan in full in July 2013.

In December 2013 the Company has signed short-term loan agreement with Šiaulių bankas for the loan of LTL 8,632 thousand. Until the year-end the Company had used LTL 7,768 thousand of the loan. The loan was used to acquire claim to Latvian entity SIA Dommo Biznesa Parks (see Note 6.2).

During the 1st half of 2012 the entity operating in the information technology segment has signed the loan agreement of LTL 3,000 thousand with AB DNB Bankas.

During the year 2013, the Group and the Company repaid respectively LTL 23,193 thousand and LTL 20,599 thousand of loans (during the year of 2012 respectively LTL 25,009 thousand and LTL 1,217 thousand).

On 31 March 2011, the Group has agreed with Nordea bank on the extension of current financing of the real estate segment. Current loans, which mature in 2011, were extended for 3 years and the bank provided indemnify against non-compliance with covenants for the same period. In April 2012 amendments of the above mentioned agreement were signed. According to them, the Group has early paid back the liabilities of UAB Naujoji Švara to the bank in full (LTL 14,701 thousand). The assets with carrying amounts of LTL 21,782 were released from the pledge, which allows more successfully develop them (this entity was transferred during split-off (see Note 3). It was also agreed, that partial repayments of borrowings of UAB Sago and UAB INTF Investicija would be cancelled, and the liabilities would be due in full in 2014. Therefore the partial repayments of the loan of the UAB Invaldos Nekilnojamojo Turto Fondas were accelerated. As a result of these amendments during 2012 the Group had to pay back LTL 2,123 thousand more. On 28 February 2014 the borrowings of LTL 36,509 thousand of subsidiaries UAB INTF Investicija and UAB Sago have matured. The agreement with bank regarding the extension of the terms of borrowings was not reached and the subsidiaries have defaulted (Note 32).

25. Finance lease

The assets leased by the Group under finance lease contracts consist of vehicles and other fixtures, fittings, tools and equipment. 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 11 to 59 months. In 2013 the Group has acquired vehicles of LTL 83 thousand (2012: LTL 320 thousand) through finance lease. The distribution of the net carrying amount of the assets acquired under financial lease is as follows:

	Group	
	2013	**2012**
Other fixtures, fittings, tools and equipment	5	101
Vehicles	226	703
	231	804

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

	Group	
Borrowings denominated in:	**2013**	**2012**
EUR	6	446
LTL	208	183
	214	629

As at 31 December 2013 the interest rate on the financial lease liabilities denominated in EUR varies depending on the 6-month EUR LIBOR and EURIBOR and the margin is 1.3 % (2012: from 1.3 % to 2.5 %). As at 31 December 2013 the interest rates on the financial lease liabilities denominated in LTL are 6-month VILIBOR with the margin varying from 1.5 % to 2.7 % (2012: from 1.5 % to 4.5 %) and there are some fixed rate liabilities with interest rate of 8 % (2012: 8%).

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

	Group			
	2013		**2012**	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	62	69	224	206
From one to five years	164	145	445	423
Total financial lease obligations	226	214	669	629
Interest	(12)	-	(40)	-
Present value of financial lease obligations	214	214	629	629
Financial lease obligations are accounted for as:				
- current		69		206
- non-current		145		423

26. 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 31.

27. Provisions

	Group	
	Constructor claims	Total
As of 1 January 2012	**696**	**696**
Changes during the year	(73)	(73)
As of 31 December 2012	**623**	**623**
Changes during the year	(30)	(30)
Sale of subsidiary	(593)	(593)
As of 31 December 2013	**-**	**-**
Non-current 2013	-	-
Current 2013	-	-
Non-current 2012	396	396
Current 2012	227	227

28. Other liabilities

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

	Group		Company	
	2013	2012	2013	2012
Financial liabilities				
Dividends payable	1,412	3,934	1,412	1,980
Liability incurred in relation to business combination	-	114	-	-
Other amounts payable	1,323	2,669	69	81
	2,735	6,717	1,481	2,061
Non – financial liabilities				
Salaries and social security payable	2,545	7,095	109	386
Tax payable	1,136	1,179	6	5
Pensions and anniversary obligation	-	1,673	-	-
Other amounts payable	2,519	2,413	-	-
	6,200	12,360	115	391
Total other current and non-current liabilities	8,935	19,077	1,596	2,452
Non-current liabilities	2,627	4,831	-	-
Current liabilities	6,308	14,246	1,596	2,452

The Group's company AB Vilniaus Baldai has collective labour agreement. According to the agreement each employee has right to receive age and seniority anniversary benefit and an amount of 2 – 3 month salaries on retirement subject to years of service. This is the unfunded defined benefit pension plan. The liability recognised in the statement of financial position is LTL 1,673 thousand as at 31 December 2012. As at 31 December 2013 AB Vilniaus Baldai is an associate, therefore, in the Group financial statements for the year ended 31 December 2013 there is no pension and anniversary obligation liability.

29. Financial risk management

29.1. 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 and the Company'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 and the Company have 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 and the Company also enter 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 Company 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 Company and the Group.

The Company's policy is to not provide any guarantee or surety for the Group's companies. The Group's companies do not provide any guarantees one against another usually.

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.

<u>Credit risk</u>

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.

The Group estimates the credit risk separately by the segments.

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. Also, in 2010 due to worsening of worldwide and Lithuanian economic conditions a decrease in real estate prices was noted. This factor had an impact to some related parties of the Group and Company which had significant investments into real estate. As it is further described in Note 17, this resulted in significant increase in impairment levels of loans granted by the Group and the Company and the allowances for these loans remain significant.

The Group and the Company trade only with recognised, creditworthy third parties. It is the Group's and the Company'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. The maximum exposure to credit risk is disclosed in Notes 17 and 19. 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 and the Company, which comprise deposits at banks and cash and cash equivalents, restricted cash and debt securities, the Group's and the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

For banks and financial institutions, only independently rated parties with high credit ratings are accepted (Note 20).

29 Financial risk management (cont'd)

29.1 Financial risk factors (cont'd)

Cash flow and fair value interest rate risk

The Group's and the Company'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). In real estate sector some credits are associated with the projects which last 2–3 years, therefore, the risk related to increase of the interest rate cannot be considered as high.

The Group and the Company are prepared to enter into interest rate swap agreements, if this allows to further mitigate risk.

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

	Increase/decrease in basic points	Group	Company
		Effect on profit before tax	
2013			
EUR	50	(480)	-
LTL	50	(13)	-
EUR	-10	96	-
LTL	-10	3	-
2012			
EUR	100	(650)	-
LTL	100	(20)	-
EUR	-10	65	-
LTL	-10	2	-

29 Financial risk management (cont'd)

29.1 Financial risk factors (cont'd)

Liquidity risk

The Group's and the Company'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 and the Company is controlled on an overall Group level. The Group's and the Company'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 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 and the Company evaluate the possibilities to attract needed funds. On a monthly basis the business segments report to the Company the forecasted cash inflows and outflows for a future one year period which allows planning the Group's financing effectively. The general rule is applied in the Group to finance the Group companies or to take loans from them through the parent company in order to minimise the presence of direct borrowings between the companies of different business segments.

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2013 and 2012 based on contractual undiscounted payments.

	On demand	Less than 3 months	4 to 12 months	2 to 5 years	More than 5 years	Total
Interest bearing borrowings	-	39,696	15,597	56,807	-	112,100
Finance lease obligations	-	20	42	164	-	226
Trade and other payables	-	10,417	-	-	-	10,417
Other liabilities	1,412	425	798	54	87	2,776
Balance as at 31 December 2013	**1,412**	**50,558**	**16,437**	**57,025**	**87**	**125,519**
Interest bearing borrowings	-	2,407	6,081	100,602	-	109,090
Finance lease obligations	-	69	155	445	-	669
Trade and other payables	-	27,882	491	337	-	28,710
Other liabilities	3,934	1,468	593	244	222	6,461
Balance as at 31 December 2012	**3,934**	**31,826**	**7,320**	**101,628**	**222**	**144,930**

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2013 and 2012 based on contractual undiscounted payments.

	On demand	Less than 3 months	4 to 12 months	2 to 5 years	More than 5 years	Total
Interest bearing borrowings	-	44	13,135	-	-	13,179
Finance lease obligations	-	-	-	-	-	-
Trade and other payables	-	305	-	-	-	305
Other current liabilities	1,412	69	-	-	-	1,481
Balance as at 31 December 2013	**1,412**	**418**	**13,135**	**-**	**-**	**14,965**
Interest bearing borrowings	-	-	9,399	-	-	9,399
Finance lease obligations	-	-	-	-	-	-
Trade and other payables	-	43	12	-	-	55
Other current liabilities	1,980	60	26	-	-	2,066
Balance as at 31 December 2012	**1,980**	**103**	**9,437**	**-**	**-**	**11,520**

29 Financial risk management (cont'd)

29.1 Financial risk factors (cont'd)

Liquidity risk (cont'd)

In 2013 and 2012 all Group entities have complied with bank loan covenants.

On 28 February 2014 the borrowings of LTL 36,509 thousand of subsidiaries UAB INTF Investicija and UAB Sago have matured. These borrowings are presented in the table above in the caption "within 3 months". The agreement with the bank regarding the extension of terms of borrowings was not reached and the subsidiaries have defaulted (note 32).

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 31 December 2013 was approximately 0.98 (4.18 as at 31 December 2012), the quick ratio ((total current assets – inventories) / total current liabilities) – 0.94 (3.45 as at 31 December 2012). The Company's liquidity ratio as at 31 December 2013 was approximately 4.45 (14.72 as at 31 December 2012), the quick ratio – 4.45 (14.72 as at 31 December 2012). The Group's and the Company'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.

Price risk

The Group and the Company are exposed to equity securities price risk because of investments held by the Group and the Company and classified on the statement of financial position either as available-for-sale or at fair value through profit or loss. The Group and the Company are not exposed to commodity price risk. To manage their price risk arising from investments in equity securities, the Group and the Company diversify their portfolio.

The Group's and the Company's investments in equity of other entities that are publicly traded are included in one of the following two equity indexes: OMX Baltic Benchmark Gross Index (OMXBBGI) or WSE sWIG80 equity indexes.

The table below summarises the impact of increases/decreases of the two equity indexes on the Group's and the Company's profit before tax for the year. The analysis is based on the assumption that the equity indexes had increased/ decreased by 20 % with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index:

Index	**Group**		**Company**	
	2013	**2012**	**2013**	**2012**
OMXBBGI	419	672	419	672
SWIG80	614	3,808	614	3,808

Profit before tax for the year would increase/decrease as a result of gains/losses on equity securities classified at fair value through profit or loss.

29 Financial risk management (cont'd)

29.1 Financial risk factors (cont'd)

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 and the Company's policy is related to matching of money inflows from the most probable potential sales with purchases by each foreign currency. The Group and the Company do 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. In Lithuania and in Latvia the Euro is pegged to Litas and Lats accordingly, therefore, there are no fluctuations between these currencies.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rates, with all other variables held constant, of the Group's and the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/decrease in forex rate	Group	Company
		Effect on profit before tax	
2013			
PLN/LTL	+10 %	161	161
USD/LTL	+10 %	289	-
USD/NOK	+10 %	136	-
PLN/LTL	-10 %	(161)	(161)
USD/LTL	-10 %	(289)	-
USD/NOK	-10 %	(136)	-
2012			
PLN/LTL	+10 %	981	1,002
USD/LTL	+10 %	237	268
PLN/LTL	-10 %	(981)	(1,002)
USD/LTL	-10 %	(237)	(268)

29.2. Capital management

The primary objective of the capital management is to ensure that the Group and the Company maintain a strong credit health and healthy capital ratios in order to support their business and maximise shareholder value. The Company'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 and the Company's capital comprises share capital, share premium, reserves and retained earnings.
The Group and the Company manage their capital structure and make 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 2013 and 2012.

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. Due to significant changes in investment property prices, turmoil in financial markets and economic crisis from 2008 in Lithuania, as of 31 December 2013 twelve subsidiaries (in real estate segment – four, information technology infrastructure segment – three, other production and service segment – five) did not comply with the above mentioned requirements (2012: twenty; real estate segment – thirteen, information technology infrastructure segment – one, facility management – one, other production and service segment – five). 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 0.2–0.3. The Company, when subordinating credits, seeks to ensure that the subsidiaries comply with this ratio.

30 Commitments and contingencies

Operating lease commitments – Group as a lessee

The Group and the Company concluded several contracts for operating lease. The terms of lease do not include restrictions on the activities of the Group and the Company in connection with the dividends, additional borrowings or additional lease agreements.

The majority of the Group's operating lease expenses include lease of premises after the sale of investment property in 2007. The Group's company AB Invalda Nekilnojamojo Turto Fondas concluded the operating lease back agreement with an Irish private investor for the sold investment properties of the Group. Lease payments and the sale price of the investment properties were estimated at fair value. Operating lease back term – 10 years, but the agreement might be unilaterally terminated by the parties. The Group paid a one off deposit in the amount of LTL 2,848 thousand corresponding to the 6 months amount of the monthly lease fee which will be set-off against the last part of lease payment at the termination of the lease.

In 2013 and 2012, the lease expenses of the Group amounted to LTL 8,006 thousand and LTL 7,986 thousand, respectively. In 2013 and 2012, the lease expenses of the Company amounted to LTL 152 thousand and LTL 271 thousand, respectively.

Future lease payments according to the signed operating lease contracts are as follows:

		Group		Company	
		2013	**2012**	**2013**	**2012**
Within one year					
	- lease of premises	5,654	5,620	-	-
	- other lease	223	468	18	101
		5,877	6,088	18	101
From one to five years					
	- lease of premises	12,754	18,262	-	-
	- other lease	248	670	4	137
		13,002	18,932	4	137
After five years					
	- lease of premises	-	-	-	-
	- other lease	-	-	-	-
		-	-	-	-
		18,879	**25,020**	**22**	**238**
Denominated in:					
- EUR		18,214	23,424	-	56
- LTL		665	1,596	22	182

30 Commitments and contingencies (cont'd)

Operating lease commitments – Group as a lessor

The Group companies operating in real estate segments have entered into commercial property leases of the Group's investment properties under operating lease agreements. The majority of the agreements have remaining terms of between 1 and 5 years.

Future rentals receivable under non-cancellable and cancellable operating leases as at 31 December are as follows:

		2013	2012
Within one year			
	- non-cancellable	6,177	4,939
	- cancellable	1,824	4,070
		8,001	9,009
From one to five years			
	- non-cancellable	9,344	3,842
	- cancellable	1,024	2,666
		10,368	6,508
After five years			
	- non-cancellable	697	-
	- cancellable	8	301
		705	301
		19,074	**15,818**

Future rentals receivable under non-cancellable and cancellable operating subleases as at 31 December are as follows:

		2013	2012
Within one year			
	- non-cancellable	691	2,678
	- cancellable	4,682	2,700
		5,373	5,378
From one to five years			
	- non-cancellable	606	5,779
	- cancellable	7,259	3,801
		7,865	9,580
After five years			
	- non-cancellable	-	-
	- cancellable	-	-
		-	-
		13,238	**14,958**

For the cancellable lease and sublease agreements, tenants must notify the administrator 3–6 months in advance if they wish to cancel the rent agreement and have to pay 3–12 months' rent fee penalty for the cancellation. According to non-cancellable lease and sublease agreements tenants must pay the penalty equal to rentals receivable during the whole remaining lease period.

Part of leases and subleases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Tax legislation

Tax authorities have right to examine accounting records of the Company and its subsidiaries at any time during the 5 year period after the current tax year and account for additional taxes and fines. In the opinion of the Company's management, currently there are no circumstances which would raise substantial liability in this respect to the Company and to the Group.

31 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 2013 and 2012 were associates, joint ventures, the shareholders of the Company (Note 1) and key management personnel, including companies under control or joint control of key management and shareholders having significant influence. In 2013 and 2012 UAB Laikinosios Sostinės Projektai, over which the Group had lost joint control, is also attributed to the list of related parties (under the subgroup of joint ventures). Due to split-off the structure of the Group had changed significantly (many subsidiaries were transferred as a result, AB Vilniaus Baldai become an associate). The split-off is described in detail in Note 3, the details of changes in the composition of the Group are provided in Note 1.

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). Interest income and expenses are presented in the 'revenue' and 'purchases' columns, respectively.

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

2013 Group	Revenue and other income from related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
IT segment	113	-	8	-
Furniture production segment - dividends	15,880	-	-	-
Facilities management segment	2	-	-	-
Other segment	59	3	276	-
	16,054	3	284	-

Transactions of the Group with joint ventures in 2013 and balances as at 31 December 2013 were as follows:

2013 Group	Revenue and other income from related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Loans and borrowings	435	-	22,336	-
Other	-	-	1	-
	435	-	22,337	-

Transactions of the Group with shareholders and key management personnel in 2013 and balances as at 31 December 2013 were as follows:

2013 Group	Revenue and other income from related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Loans and borrowings	85	-	-	-
	85	-	-	-

The maturity of loans granted is 2014, effective interest rate is fixed at 4.5 %. Loans hold no collateral.

In June 2013 the Group has granted a loan of LTL 9 million to the Company's shareholder, which was fully repaid on July 2013.

31 Related party transactions (cont'd)

Transactions of the Group with associates in 2012 and balances as at 31 December 2012 were as follows:

2012 Group	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	-	-	-	-
Real estate income	22	-	-	-
	22	-	-	-

Transactions of the Group with joint ventures in 2012 and balances as at 31 December 2012 were as follows:

2012 Group	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	48	-	6,653	-
Real estate income	-	-	40	-
	48	-	6,693	-

Transactions of the Group with other related parties in 2012 and balances as at 31 December 2012 were as follows:

2012 Group	**Interest income**	**Purchases from related parties**	**Loans granted**	**Payables to related parties**
Loans and borrowings	289	-	708	-
Sale of apartments	1,078	-	-	-
	1,367	-	708	-

The maturity of loans granted is 2013, effective interest rate is 4 – 6.25 % and fixed. Loans hold no collateral.

During 2012 the Group and the Company has accrued interest expenses of LTL 768 thousand for owners of convertible bonds, which became the shareholders of the Company. Upon conversion of the bonds the accrued interest was reversed.

31 Related party transactions (cont'd)

The Company's related parties are the subsidiaries, associates, joint ventures, shareholders (Note 1), key management personnel and companies under control or joint control of key management and shareholders with significant influence.

Transactions of the Company with subsidiaries in 2013 and balances as at 31 December 2013 were as follows:

2013 Company	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	5,274	217	47,170	4,907
Real estate income	-	70	-	-
Transfer of tax losses within Group	-	-	489	-
Dividends	890	-	-	-
Other	59	88	18	5
	6,223	375	47,677	4,912

In 2013 the Company has received LTL 15,880 thousand dividends from associate AB Vilniaus Baldai. There were no other transactions of the Company with associates in 2013 and any outstanding balances as at 31 December 2013.

Transactions of the Company with joint ventures in 2013 and balances as at 31 December 2013 were as follows:

2013 Company	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	435	-	22,336	-
Other	-	-	1	-
	435	-	22,337	-

The maturity of loans granted is till 2014, effective interest rate 4.5 - 11 % and fixed, for borrowings received maturity is 2014, effective interest rate 5.50 % and fixed.

There were no transactions of the Company with other related parties in 2013 and balances as at 31 December 2013.

31 Related party transactions (cont'd)

Transactions of the Company with subsidiaries in 2012 and balances as at 31 December 2012 were as follows:

2012 Company	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	10,153	138	160,030	9,124
Real estate income	-	155	-	6
Dividends	28,740	-	-	-
Other	-	26	49	-
	38,893	319	160,079	9,130

There are no any Transactions of the Company with associates in 2012 and balances as at 31 December 2012.

Transactions of the Company with joint ventures in 2012 and balances as at 31 December 2012 were as follows:

2012 Company	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	48	-	6,653	-

The maturity of loans granted is till 2013, effective interest rate 4 - 11 % and fixed, for borrowings received maturity is 2013, effective interest rate 3 - 4 % and fixed.

There were no transactions of the Company with other related parties in 2012 and balances as at 31 December 2012.

The movements of loans granted to joint ventures were:

	Group		**Company**	
	2013	**2012**	**2013**	**2012**
At 1 January	**6,653**	**6,687**	**6,653**	**6,687**
Loans granted during year	109	818	109	818
Loans repayment received	(873)	(851)	(873)	(851)
Loans converted to increased share capital	-	-	-	-
Sale of loans to third parties (sale price equalled to the carrying amount)	-	-	-	-
Loans granted transferred during the split-off	(969)	-	(969)	-
Subsidiary became joint venture – reclassification loan granted*	16,981		16,981	-
Interest charged	435	48	435	48
Interest received	-	(49)	-	(49)
At 31 December	**22,336**	**6,653**	**22,336**	**6,653**

*During the split-off the intermediate special purpose entity UAB Cedus Invest, which owns UAB Litagra shares, had become a joint ventures from subsidiary. The loan granted to this entity for the purpose of financing the acquisition of UAB Litagra was reclassified between categories in the Company and deconsolidated and presented within loans granted in the Group.

31 Related party transactions (cont'd)

There were no movements and balances outstanding of loans granted to associates in 2013 and 2012.

The movements of loans granted to subsidiaries were:

	Company	
	2013	2012
At 1 January	**160,030**	**157,177**
Loans granted during year	19,293	34,256
Loans repayment received	(24,136)	(27,534)
Loans and interest converted to increased share capital	-	(18,651)
Loans granted purchased within the Group without cash	-	9,695
Interest settlement against amounts payable	-	(44)
Loans granted settlement against purchase of held-for-trade financial assets within Group	-	(4,082)
Loans granted transferred during the split-off	(93,829)	-
Subsidiary became joint venture – reclassification loan granted* (see in the page above)	(16,981)	-
Interest charged	5,274	10,153
Interest received	(2,481)	(940)
At 31 December	**47,170**	**160,030**

The movements of loans granted to shareholders were:

	Group	
	2013	2012
At 1 January	**708**	**12,041**
Loans granted during year	9,796	-
Loans repayment received	(10,409)	(10,407)
Interest charged	85	289
Interest received	(180)	(1,215)
At 31 December	**-**	**708**

The movements of borrowings from subsidiaries were:

	Company	
	2013	2012
At 1 January	**9,124**	**353**
Borrowings received during year	6,409	150
Borrowings repaid during year	(3,598)	(1,212)
Borrowings originated from purchasing of granted loan within the Group without cash	-	9,695
Borrowings transferred during the split-off	(6,919)	-
Interest charged	217	138
Interest paid	(326)	-
At 31 December	**4,907**	**9,124**

31 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. In 2013 the Company has recognised additional impairment losses in respect of loans due from subsidiaries, amounting to LTL 241 thousand (LTL 823 thousand in 2012). As at 31 December 2013 the impairment allowance for the Company's loans granted to UAB Laikinosios Sostinės Projektai and subsidiaries, amounted to LTL 5,808 thousand and LTL 852 thousand, respectively (LTL 5,808 thousand and LTL 2,438 thousand, respectively, in 2012). The impairment allowance for the Company's loans granted to subsidiaries has decreased as a result of transferring loans granted during split-off (LTL 1,827 thousand). As at 31 December 2013 the cumulative interest amount, which is not recognised in the financial statements, but is calculated according to the loans' agreements, for Company's loans granted to joint ventures and subsidiaries, amounted to LTL nil thousand and 153 thousand (LTL 31 thousand and LTL 1,529 thousand, respectively, in 2012). The above mentioned amount decreased as a result of transferring loans granted during split-off. Doubtful debts assessment is undertaken at the end of each financial year through examination of the financial position of the related party and the market in which the related party operates.

Key management compensation and other payments

The management remuneration contains short-term employees' benefits and share-based payments. Key management of the Company and the Group includes Board members and Chief accountant and the General Managers, which manage the Group's segment, (excluding associates and joint ventures), respectively.

	Group		Company	
	2013	2012	2013	2012
Wages, salaries and bonuses	2,545	3,028	1,164	1,548
Social security contributions	798	959	370	500
Bonus for the Board members	-	3,000	-	-
Share-based payments	(160)	(43)	-	-
Total key management compensation	3,183	6,944	1,534	2,048

There were no loans granted during the reporting period or outstanding at the end of the reporting period. In 2013 and 2012 dividends were not paid.

32 Events after the reporting period

On 27 February 2014 the Company established the new subsidiary AB Invalda LT Investments that has applied for the asset management company licence to be issued by the Bank of Lithuania. The share capital of AB Invalda LT Investments amounts to LTL 1,381 thousand (EUR 400 thousand). The Company owns 100 % of AB Invalda LT Investments shares.

<u>New split-off of the Company</u>

The Extraordinary General Shareholders Meeting of the Company, held on 5 February 2014, adopted resolution to approve the preparation of the terms of split-off of AB Invalda LT. The approval of the shareholders of the Company to prepare the split-off terms will allow realizing the earlier announced plan to concentrate into asset management business. It is planned to separate agricultural land, real estate and information technologies entities from the Company. These entities will apply for closed-end investment company licenses. All shareholders of the Company (presently there are about 4000 shareholders of the Company) will proportionally own shares in the separated entities. All the shares of the newly established companies are planned to be listed on the NASDAQ OMX Vilnius Exchange. The split-off terms were announced on 21 March 2014. According to the terms, three entities AB INVL Baltic Farmland, AB INVL Baltic Real Estate and AB INVL Technology, presently comprising 47.95% of the Company assets calculated at carrying amounts, will be split-off from the Company.

Below the split-off of the balance sheet of the Company as at 31 December 2013 is presented:

	The Company before split-off	**AB INVL Baltic Real Estate**	**AB INVL Baltic Farmland**	**AB INVL Technology**	**The Company after the split-off**
Percent		30.90%	14.45%	2.60%	52.05%
Intangible assets	50	-	-	-	50
Property, plant and equipment	33	-	-	-	33
Investments into subsidiaries	52,487	38,722	6,102	4,003	3,660
Investments into associates and joint ventures	25,108	-	-	-	25,108
Investments available-for-sale	1,705	-	-	-	1,705
Loans granted	59,928	14,294	16,046	-	29,588
Loan granted to UAB Cedus Invest	16,529	143	2,646	470	13,270
Trade and other receivables	2,912	-	-	-	2,912
Deferred income tax assets	7,652	-	68	-	7,584
Prepayments and deferred charges	45	5	-	-	40
Financial assets at fair value through profit loss	5,602	-	-	-	5,602
Cash and cash equivalents	2,515	777	363	66	1,309
Total assets	**174,566**	**53,941**	**25,225**	**4,539**	**90,861**
Borrowings	(12,682)	(4,506)	(2,107)	(379)	(5,690)
Other liabilities	(1,901)	-	-	-	(1,901)
Total liabilities	**(14,583)**	**(4,506)**	**(2,107)**	**(379)**	**(7,591)**
Net assets	**159,983**	**49,435**	**23,118**	**4,160**	**83,270**

32 Events after the reporting period (cont'd)

New split-off of the Company (cont'd)

Below the split-off of the balance sheet of the Group as at 31 December 2013 is presented:

	The Company before split-off	**AB INVL Baltic Real Estate**	**AB INVL Baltic Farmland**	**AB INVL Technology**	**The Company after the split-off**	**Loans that were eliminated on consolidation among group companies**
Intangible assets	8,263	3	20	7,024	1,216	-
Property, plant and equipment	5,410	41	4	2,087	3,278	-
Investment properties	180,548	129,461	36,087	-	15,000	-
Investments into associates and joint ventures	85,686	-	-	-	85,686	-
Investments available-for-sale	1,705	-	-	-	1,705	-
Loans granted	30,323	13,906	2,646	470	36,920	(23,619)
Trade and other receivables	21,433	1,678	217	13,520	6,018	-
Deferred income tax assets	8,289	-	68	70	8,151	-
Inventories	2,688	-	-	809	1,879	-
Prepayments and deferred charges	3,896	2,952	5	551	388	-
Financial assets at fair value through profit loss	5,602	-	-	-	5,602	-
Cash and cash equivalents	12,103	2,527	477	3,737	5,362	-
Total assets	**365,946**	**150,568**	**39,524**	**28,268**	**171,205**	**(23,619)**
Borrowings	(109,734)	(91,941)	(2,107)	(13,943)	(25,362)	23,619
Financial lease liabilities	(214)	-	-	(64)	(150)	-
Trade payables	(10,417)	(313)	(54)	(7,893)	(2,157)	-
Deferred income tax liabilities	(15,296)	(12,072)	(2,971)	(74)	(179)	-
Income tax payable	(92)	-	-	(92)	-	-
Government grants	(46)	-	-	(46)	-	-
Advanced received	(2,026)	(157)	(24)	(966)	(879)	-
Other liabilities	(8,935)	(1,866)	(29)	(3,500)	(3,540)	-
Total liabilities	**(146,760)**	**(106,349)**	**(5,185)**	**(26,578)**	**(32,267)**	**23,619**
Net assets	**219,186**	**44,219**	**34,339**	**1,690**	**138,938**	**-**

32 Events after the reporting period (cont'd)

New split-off of the Company (cont'd)

Below the split-off of the income statement of the Group as at 31 December 2013 is presented:

	The Company before split-off	**AB INVL Baltic Real Estate**	**AB INVL Baltic Farmland**	**AB INVL Technology**	**The Company after the split-off**	**Interest that was eliminated on consolidation among group companies**
Revenue	98,700	23,506	1,258	50,749	23,187	-
Other revenues	1,715	52	10	55	3,425	(1,827)
Net gains (losses) on disposal of subsidiaries, associates and joint ventures	1,333	-	-	-	1,333	-
Net gains (losses) from fair value adjustments on investment property	10,736	(1,567)	11,303	-	1,000	-
Net changes in fair value of financial instruments at fair value through profit loss	1,540	-	-	114	1,426	-
Gain of the split-off	219	-	-	-	219	-
Changes in inventories of finished goods, work in progress and residential real estate	(2,019)	(1,967)	-	-	(52)	-
Raw materials and consumables used	(33,597)	(35)	(8)	(27,349)	(6,205)	-
Employee benefits expenses	(24,226)	(1,625)	(168)	(10,369)	(12,064)	-
Impairment, write-down and provisions	4,457	5,171	(74)	(178)	(462)	-
Premises rent and utilities	(13,215)	(11,265)	(4)	(627)	(1,319)	-
Depreciation and amortization	(4,046)	(142)	(8)	(2,498)	(1,398)	-
Repair and maintenance of premises	(6,933)	(3,109)	-	(27)	(3,797)	-
Other expenses	(14,364)	(3,611)	(529)	(7,621)	(2,603)	-
Operating profit	**20,300**	**5,408**	**11,780**	**2,249**	**2,690**	**(1,827)**
Finance costs	(2,208)	(3,114)	-	(1,353)	432	1,827
Share of profit from associates and joint ventures	5,425	(95)	-	-	5,520	-
Profit before income tax	**23,517**	**2,199**	**11,780**	**896**	**8,642**	**-**
Income tax credit (expense)	(3,274)	458	(1,636)	(179)	(1,917)	-
Profit for the period from continuing operation	**20,243**	**2,657**	**10,144**	**717**	**6,725**	**-**
Profit/ (loss) after income tax for discontinued operation	88,545	-	-	-	88,545	-
PROFIT FOR THE YEAR	**108,788**	**2,657**	**10,144**	**717**	**95,270**	-

The default of borrowings in the subsidiaries

On 28 February 2014 the borrowings of LTL 36,509 thousand of subsidiaries UAB INTF Investicija and UAB Sago have matured. The agreement with the bank regarding the extension of terms of borrowings was not reached and the subsidiaries have defaulted. Therefore, the management of subsidiaries initiated bankruptcy procedures. The main creditors of subsidiaries are Nordea Bank Finland Plc Lithuania Branch and the Group. If the court approved the bankruptcy, the impact of this on the Company's income statement would be nil, because impairment allowance was already recognised in full and the impact on the Group's income statement would be positive of approximately LTL 6.8 million due to negative equity of subsidiaries that would be deconsolidated. The fair value of investment properties owned by these subsidiaries was LTL 29,000 thousand as at 31 December 2013.