

VILNIAUS BALDAI AB

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE
FINANCIAL YEAR 2016 ENDED 31 AUGUST 2016,
PREPARED ACCORDING TO THE INTERNATIONAL FINANCIAL REPORTING
STANDARDS AS ADOPTED BY THE EUROPEAN UNION
PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report

To the Shareholders of Vilniaus Baldai AB

Report on the Separate and Consolidated Financial Statements

We have audited the accompanying separate financial statements of Vilniaus Baldai AB (hereinafter "the Company"), which comprise the separate statement of financial position as at 31 August 2016, the separate statements of profit or loss and other 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, as set out on pages 38 to 73.

We have also audited the accompanying consolidated financial statements of Vilniaus Baldai AB and its subsidiary (hereinafter "the Group"), which comprise the consolidated statement of financial position as at 31 August 2016, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 38 to 73.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these separate and consolidated 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 the 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 separate and consolidated 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 these financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate and consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of these financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's and the Group's preparation and fair presentation of these 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 Company's and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's and the Group's management, as well as evaluating the overall presentation of the separate and consolidated financial statements.

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



Opinion

In our opinion, the separate financial statements give a true and fair view of the financial position of Vilniaus Baldai AB as at 31 August 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Vilniaus Baldai AB and its subsidiary as at 31 August 2016 and of the consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the consolidated annual report of Vilniaus Baldai AB for the year ended 31 August 2016, set out on pages 5 to 37 of the financial statements, and have not identified any material inconsistencies between the financial information included in the consolidated annual report and the consolidated financial statements of Vilniaus Baldai AB for the year ended 31 August 2016.

On behalf of KPMG Baltics, UAB

Domantas Dabulis
Partner
Certified Auditor

Vilnius, the Republic of Lithuania
11 November 2016

VILNIUS BALDAI AB, company code 121922783, Savanoriu Ave. 178B, Vilnius, Lithuania
CONSOLIDATED ANNUAL REPORT FOR THE FINANCIAL YEAR 2016 ENDED 31 AUGUST 2016
(all amounts are in EUR thousand unless otherwise stated)

Approved _____ 2016
at the Board Meeting

COMPANIES COMPOSING THE GROUP

Vilnius Baldai AB (hereinafter "the Company") prepares both separate Company's and consolidated financial statements. The Group (hereinafter "the Group") consists of Vilnius Baldai AB and subsidiary ARI-LUX UAB in which the Company directly controls 100% of shares.

GENERAL INFORMATION ABOUT THE COMPANY:

Name	Joint stock company Vilnius Baldai AB
Legal form	Joint stock company
Code	121922783
VAT payer's code	LT219227811
Authorised capital	EUR 4,508,069.72, divided into 3,886,267 ordinary registered shares with the par value of EUR 1.16 each
Office address	Savanoriu Ave. 178B, LT-03154 Vilnius
Telephone	(8~5) 252 57 00
Fax	(8~5) 231 11 30
E-mail	info@vilniausbaldai.lt
Internet website	www.vilniausbaldai.lt
Registration date and place	9 February 1993, Vilnius City Board
Register, where all the information about the Company is collected and stored	Register of Legal Entities
Main type of activity	Design, production and selling of furniture

GENERAL INFORMATION ABOUT THE SUBSIDIARY:

Name	Limited liability company ARI-LUX UAB
Legal form	Limited liability company
Code	120989619
VAT payer's code	LT209896113
Authorised capital	EUR 2,896
Office address	Savanoriu Ave. 178B, LT-03154 Vilnius
Telephone	(8~5) 252 57 44
Fax	(8~5) 252 57 44
E-mail	aleksas.rimkus@ari-lux.lt
Internet website	-
Registration date and place	28 October 1991, Vilnius City Board
Register, where all the information about the Company is collected and stored	Register of Legal Entities
Main type of the activity	Packaging

1. OBJECTIVE REVIEW OF THE COMPANIES GROUP'S POSITION, ACTIVITY AND DEVELOPMENT, CHARACTERISATION OF THE MAIN TYPES OF RISKS AND UNCERTAINTIES FACED BY THE COMPANY

Vilnius Baldai AB is one of the leading manufacturers of flat-pack furniture in Lithuania. The joint stock company Vilnius Baldai is a Company that cherishes time-honoured traditions, applies modern technologies and enjoys a stable and continuous business growth.

Vilnius Baldai AB sales revenue reached EUR 59 million in 2016. In 2016, the Company further increased its production capacity, successfully increased production of its priority products, during the year maintained required level of stock, achieved better equipment utilization and successfully launched new product (shelf system). Last year the Company had its FSC certification reviewed, ISO 9001 and ISO 14001 re-certified successfully.

The Company focused on quality improvement, processes optimization and equipment utilization improvement with the help of LEAN methodology.

Going forward the Company will prioritize assurance of high quality of its products, efficiency and flexibility in new products launching.

Main risks faced by the Group:

Economic risk factors. The sales to the main customer Swedish IKEA constituted approximately 99% of total sales of Vilnius Baldai AB during 2016 (99%, January – August 2015). Furniture accounted for 99% of the Company's sales during 2016 (99%, January – August 2015), while the rest came from sales of raw materials and waste of raw materials.

Global economy development trends do have an impact on the Company's main customer development pace as well as demand fluctuation for products produced by the Company.

The Company competes with the world furniture producers.

Political risk factors. Changing geopolitical situation has an impact on the international trade flows at the same time having an impact on the Company's costs and profitability. There are no requirements and restrictions established by the State to the issuer's activity.

Social risk factors. Demographic situation and migration processes have a negative influence on the Lithuanian labour market; therefore, the Company is constantly improving its organisational structure, increasing productivity, allocating resources to improve work conditions, training and competence development. Trade Union, representing interests of the employees, operates actively in the Company.

Supply. The Company aims to establish a long-term partnership with reliable suppliers, and at the same time secure alternatives for supply of the main raw materials.

Technical and technological risk factors. The Company owns modern production equipment. Vilnius Baldai AB pays significant attention to the maintenance of production equipment, optimization of technological processes and increase of working efficiency. The physical and moral condition of the main facilities is good and does not cause any risk to the activity of the Company.

Ecological risk factors. There is an environment protection management system introduced in the Company in compliance with the ISO 14001 requirements. The core of this system is the management and permanent improvement of the environment protection. The Company works purposefully seeking to make the production ecological, to control the impact that the materials and raw materials have on the environment, to ensure that the suppliers of the products and services comply with the environment protection management requirements. The Company was granted FSC production line certificate. The annual audit of the functioning of quality management system and environmental management system according to EN ISO 9001 and EN ISO 14001 was performed in June 2016. No non-conformity issues or findings were identified during the audit. In 2016, Vilnius Baldai AB paid EUR 2 thousand of the environment pollution taxes, as well as EUR 101 thousand for the waste utilisation services. There were no manufacturing restrictions because of the environment pollution.

Repayment of loans. The repayment of loans is made according to the contractual schedules. All the payments to the bank are made on time. Information on the terms and conditions of repayment of financial liabilities, credit and interest rate risks of the Group and the Company is provided in the notes to the consolidated and the Company's financial statements for the year 2016 (Notes 12 and 23).

1. OBJECTIVE REVIEW OF THE COMPANIES GROUP'S POSITION, ACTIVITY AND DEVELOPMENT, CHARACTERISATION OF THE MAIN TYPES OF RISKS AND UNCERTAINTIES, FACED BY THE COMPANY (cont'd)

Characteristics of internal control and risk management systems related to the preparation of consolidated financial statements of the Company and the Group. The compliance with the requirements for the preparation of the set of the consolidated financial statements, internal control and financial risk management systems, legal acts regulating the preparation of the set of the consolidated financial statements is supervised by the Audit Committee established on 16 September 2013.

The Audit Committee:

Tomas Bubinas	
Position	
Independent Member of the Audit Committee, elected to the Audit Committee on 16.09.2013, end of the term – 2017	
Work experience	
Since 2013 Chief Operating Officer at Biotechpharma UAB 2010–2012 Senior Director at TEVA Biopharmaceuticals USA 2001–2010 Chief Financial Officer at SICOR Biotech / TEVA Baltic 1999–2001 Senior Manager at PricewaterhouseCoopers 1994–1999 Senior Auditor, Manager at Coopers & Lybrand	
Education	
Master degree in Economics at Vilnius University and Executive MBA of BMI (Baltic Management Institute), a fellow member of the Association of Chartered Certified Accountants (ACCA) and a registered Lithuanian Sworn Auditor	
Participation in Vilniaus Baldai AB authorised capital	Number of shares and of voting rights
-	-
Vaidas Savukynas	
Position	
Board member, elected to the Board on 08.10.2014, re-elected on 05.07.2016, end of the term – 2020 Member of the Audit Committee, elected to the Audit Committee on 16.09.2013, end of the term – 2017	
Work experience	
Since 2013 Chief Financial Officer at Invalda Privatus Kapitalas AB 2011–2013 Chief Financial Officer at food retail chain Narodnyi in Kyrgyz Republic 2010–2010 Director of Administration at Zemaitijos Pienas AB 1998–2009 Chief Financial Officer and Financial Analyst at concern MG Baltic and its companies (MG Baltic Trade, Apranga, Minvista) 1993–1995 Chief Executive Officer at brokerage company Bankoras 1990–1993 Marketing Manager at Lietuvos Birza AB	
Education	
Vilnius University diploma in economics, Master degree in Social Sciences at Stockholm University (Sweden), Financial sector schemes introductory courses in Leeds University (Great Britain)	
Participation in Vilniaus Baldai AB authorised capital	Number of shares and of voting rights
-	-

The Company's Head of Finance department is responsible for the preparation of the consolidated financial statements, ensures the collection of information from Group companies, its' timely and fair processing and preparation for the financial statements.

2. THE ANALYSIS OF THE FINANCIAL AND NON-FINANCIAL ACTIVITY RESULTS, INFORMATION RELATED TO THE ENVIRONMENTAL AND PERSONNEL MATTERS

Indicators characterising the operation of the Group in the period of 2014–2016:

	2016	January – August 2015	2014
Net profitability = net profit / sales * 100	5.50%	4.92%	7.73%
Average return on assets ROA = net profit / (assets at the beginning of the period + assets at the end of the period) / 2 *100	12.43%	8.32%	19.88%
Return on equity ROE = net profit / equity*100	28.79%	18.17%	49.01%
Net earnings per share EPS = net profit / number of shares	0.83	0.56	1.23
Debt ratio = liabilities / assets	0.55	0.56	0.61
Debt to equity coefficient = liabilities / share capital	1.22	1.28	1.55
Current ratio = current assets / current liabilities	1.07	1.03	0.99
Asset's turnover = sales / assets	2.35	1.62	2.49
Book value of share = equity / number of shares	2.90	3.06	2.51
Turnover (thousand EUR)	58,953	43,900	61,708
Gross profit (thousand EUR)	7,657	4,717	7,949
Net profit (thousand EUR)	3,243	2,160	4,772
EBITDA (million EUR)	5.22	3.84	7.15
Dividends per share (for the prior accounting period)	EUR 1.00	-	EUR 2.55
Earnings per share P/E	16.87	27.3	12.5
The lowest share price	EUR 13.50	EUR 15.20	EUR 13.10
The highest share price	EUR 15.60	EUR 17.30	EUR 16.90
Closing price	EUR 14.00	EUR 15.30	EUR 15.30
Capitalisation (thousand EUR)	54,408	59,459	59,462

PRODUCTION AND SALES

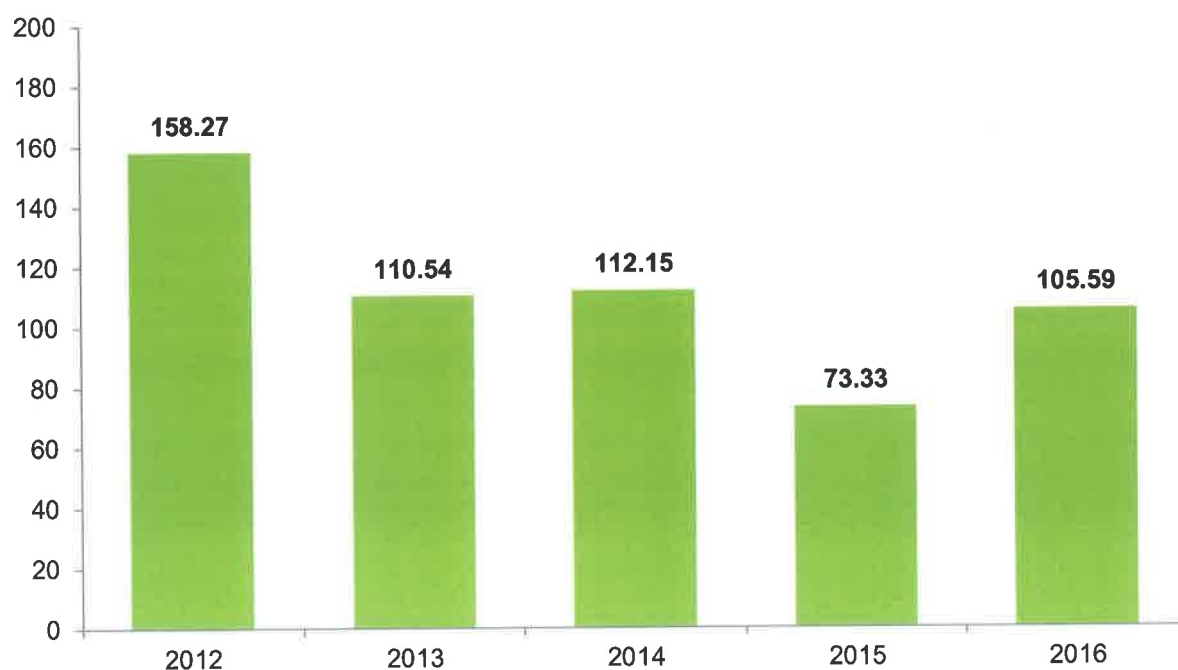
Vilniaus Baldai AB designs, produces flat-pack furniture. The production of the Company is produced from wood particle boards, using board on frame technology, which allows producing lightweight, yet massively looking furniture. When employing this technology less raw materials can be used, and stable quality of the production is attained. Each year new products are developed and production technologies of existing ones are improved taking into consideration the needs of consumers and prevailing tendencies. The planning system implemented in the Company is constantly developed to achieve higher production flexibility and efficiency.

Modern equipment, purchased from such world-renowned manufacturers as Homag, Holzma, Burkle, Weeke, Wikoma, Ima, Biesse, Wemhoner etc., enables to manufacture different types of the furniture, coated with plywood, pigment or foil.

The volumes of Company's production in terms of value in the period of 2012–2016:

Production	2016	January – August 2015	2014	2013	2012
	thousand EUR	thousand EUR	thousand EUR	thousand EUR	thousand EUR
Furniture	58,181	46,199	60,224	44,770	67,156
Other production	-	-	-	-	427
Total	58,181	46,199	60,224	44,770	67,583

Production per employee, working on employment contract basis, 2012–2016 (thousand EUR / year):



Production sales according to the markets in the period of 2013–2016:

Sales	2016		January – August 2015		2014		2013	
	Thousand EUR	%	Thousand EUR	%	Thousand EUR	%	Thousand EUR	%
Sales in Lithuania	658	1.12	612	1.39	1,068	1.73	540	1.12
Sales abroad	58,295	98.88	43,288	98.61	60,640	98.27	47,570	98.88
Total	58,953	100.00	43,900	100.00	61,708	100.00	48,110	100.00

The Company's sales in Lithuania mostly comprise sales of raw materials and waste of raw materials.

Sales of the Company in the period of 2013–2016, in EUR thousand:



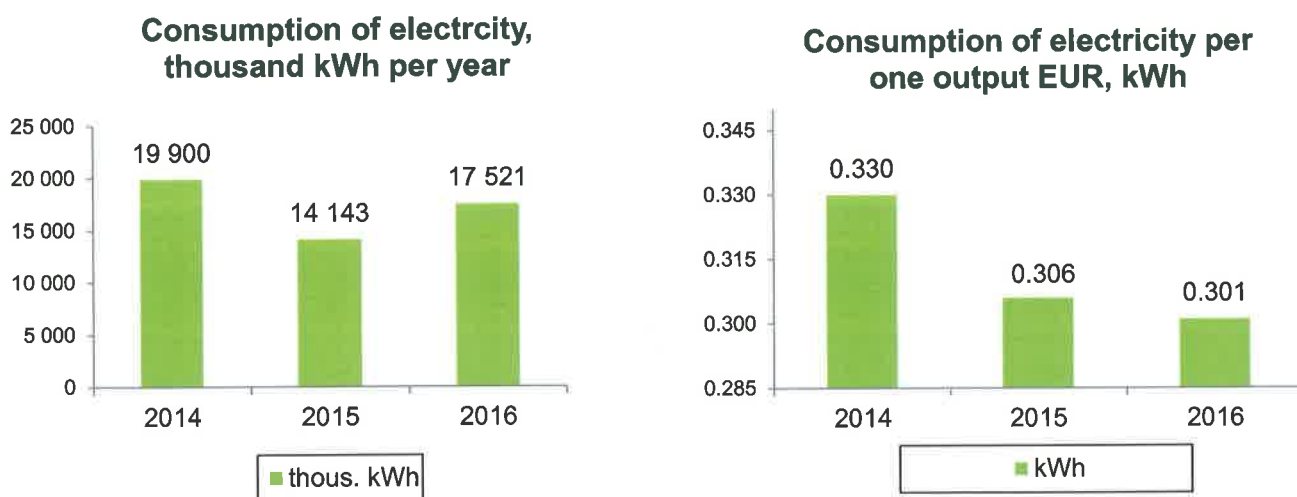
SUPPLY

Vilniaus Baldai AB has introduced an effective system of the purchase of raw materials and services. The Company maintains strong strategic relations with suppliers and constantly searches for new opportunities in the markets of raw materials and services. The purchase process is distinguished into strategic and operational purchases. The Company aims to manage the supply risk; therefore, main raw materials may be supplied by principal or alternative suppliers. Vilniaus Baldai AB has implemented and continuously improves the assessment system of suppliers; audits of suppliers are carried out.

The Company establishes long-term contracts with its suppliers. The Company acquires the main raw materials from the local, Slovak, Polish and German suppliers. The main suppliers are IKEA Industry Lietuva UAB, IKEA Components S.R.O, IKEA Industry Polska Sp.zo.o, Sherwin – Williams Baltic UAB, Rehau UAB, and DS Smith Packaging Lithuania UAB. The local supply of the raw materials is pre-conditioned by the cheap transportation costs and good relations with the major suppliers.

ENERGY

Vilnius Baldai AB pays a lot of attention on reduction of energy costs, carries out technical improvement and saving projects. During 2016 the Company consumed 17,521 thousand kWh of electricity (January–August 2015 – 14,143 thousand kWh, 2014 – 19,900 thousand kWh). The electricity consumption for production of EUR 1 amounted to 0.301 kWh (January–August 2015 – 0.306 kWh, 2014 – 0.330 kWh).



EMPLOYEES

The Company pays great attention and allocates funds for the improvement of working conditions and trainings, qualification improvement of the personnel, implementation of LEAN principles and methods. Vilnius Baldai AB makes regular investments in production facilities, automation of technological processes in order to improve working conditions, reduce physical workload of employees. Investments in occupational safety and wellbeing of employees serve as a basis for establishing a different working environment, which encourages to aim for better performance and achieve higher competitiveness in the international markets.

As of 31 August 2016, the number of work places at the Group and the Company decreased due to higher efficiency and internal processes improvements. There were 616 employees working at the Group and 572 employees at the Company as of 31 August 2016 (724 at the Group and 673 at the Company as of 31 August 2015). The average age of the employees is 39 years.

The average number of the Company's recorded employees, working on an employment contract basis, in the period of 2012–2016:

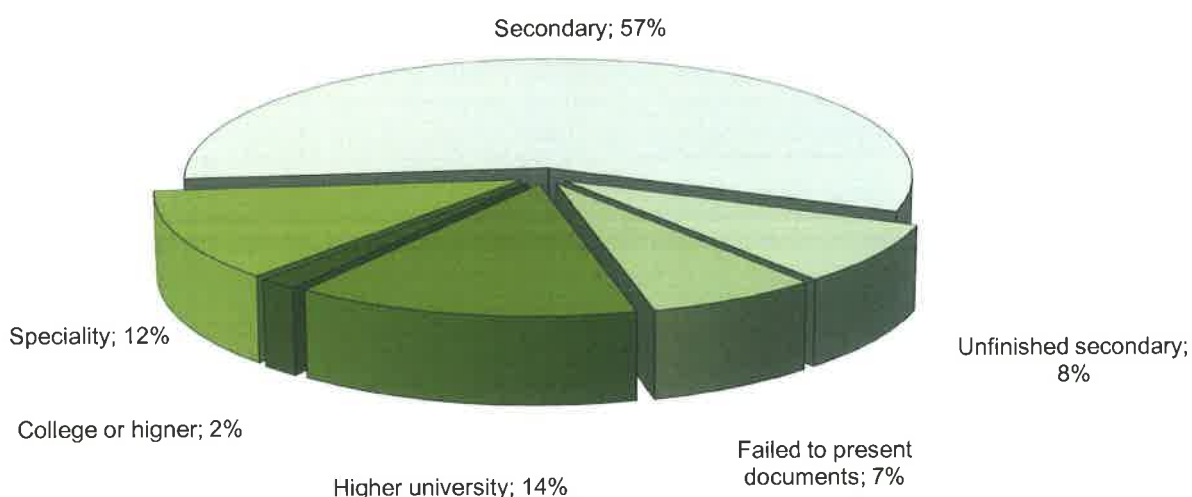
	2016	January–August 2015	2014	2013	2012
Executive personnel	8	4	4	4	4
Specialists	36	36	36	33	35
Workers	507	590	497	368	388
Total	551	630	537	405	427

Remuneration comprises a basic and variable component. A variable component of remuneration depends on the Company's results of operations.

The average wages of the employees in the period of 2012–2016, EUR:

	2016	January– August 2015	2014	2013	2012
Executive personnel	4,189	5,339	4,953	5,957	5,725
Specialists	1,369	1,700	1,445	1,415	1,440
Workers	922	962	829	814	858
Total	999	1,030	904	915	951

Grouping of the personnel according to the education:



The collective agreement is concluded in the Company. The collective agreement was renewed on 1 August 2016. The agreement is mandatory for all the employees of the Company. The purpose of this agreement is to ensure the harmonious work of the staff, high level of working conditions of different categories of employees, salary and other working conditions, also, to ensure additional social guarantees, which are not stated according to the regulations of Lithuanian legislation for the employees of the Company. The collective agreement includes the working contract formation, change, termination, work and rest time, payment for the work done, improvement of the qualification of the employees, safety at work and medical assistance, social care, trade union activity and guarantees of the elected employees. If the terms and conditions of the collective agreement are more favourable compared to the working contract, then the collective agreement is followed.

3. REFERENCES AND ADDITIONAL EXPLANATIONS ABOUT THE INFORMATION PRESENTED IN THE ANNUAL FINANCIAL STATEMENTS

All information is presented in the annual financial statements and the explanatory notes.

4. INFORMATION ABOUT OWN SHARES

The Company did not have any own shares, did not acquire or transfer any in the reporting period.

5. INFORMATION ABOUT THE BRANCHES AND REPRESENTATIVE OFFICES OF THE COMPANY

The Company does not have any branches or representative offices.

6. IMPORTANT EVENTS, WHICH HAVE OCCURED AFTER FINANCIAL YEAR END

There were no other significant events at the Company subsequent to the end of the reporting period prior to the approval of the consolidated annual report.

7. OPERATING PLANS AND FORECASTS OF THE GROUP'S ACTIVITY

During the next financial year the product range of the Company will partially change, new gluing technology will be implemented for Asian market products; several production automation projects are planned.

As well as in previous years the Company will specifically focus on productivity, improvement of internal processes and quality, production of new products.

8. INFORMATION ABOUT THE RESEARCH AND DEVELOPMENT ACTIVITY OF THE COMPANY

The Company did not carry out any research or development activity. The Company used the results of the customers' research.

9. WHEN THE GROUP EMPLOYS FINANCIAL INSTRUMENTS AND WHEN IT IS IMPORTANT FOR THE VALUATION OF THE COMPANY'S ASSETS, EQUITY, LIABILITIES, FINANCIAL POSITION AND ACTIVITY RESULTS OF THE COMPANY, THE COMPANY DISCLOSES THE OBJECTIVES OF THE FINANCIAL RISK MANAGEMENT, ITS POLICY FOR HEDGING MAJOR TYPES OF FORECASTED TRANSACTIONS FOR WHICH HEDGE ACCOUNTING IS USED, AND COMPANY'S EXPOSURE TO PRICE RISK, CREDIT RISK, LIQUIDITY RISK AND CASH FLOW RISK

The Group did not use any financial instruments, which are important to the evaluation of the Group's assets, liabilities, financial position and operation results.

10. INFORMATION ON THE CONTRACTS WITH THE INTERMEDIARIES OF THE PUBLIC TURNOVER OF THE SECURITIES

Following the reorganization of FMI Finasta AB, all contractual obligations according to previously signed securities accounting and dividend payout to shareholders contracts were taken over by Siauliu Bankas AB (Seimyniskiu Str. 1A, Vilnius).

11. STRUCTURE OF THE ISSUER'S AUTHORISED CAPITAL

Structure of the authorised capital of Vilniaus Baldai AB:

Type of shares	Number of shares, units	Nominal value, EUR	Total nominal value, EUR	Share in the authorised capital, %
Ordinary registered shares	3,886,267	1.16	4,508,069.72	100.00

The Company's authorised share capital is divided into 3,886,267 ordinary registered shares with the par value of EUR 1.16 each. The shares are uncertificated. They are recorded in personal securities accounts of shareholders. These accounts are managed following the procedure established by regulatory legislation on the securities market.

Rights and obligations carried by the shares

The shareholders have no property obligations to the Company, except for the obligation to pay up, in the established manner, all the shares subscribed for at their issue price.

If the General Meeting takes a decision to cover the losses of the Company from additional contributions made by the shareholders, the shareholders who voted "for" shall be obligated to pay the contributions. The shareholders who did not attend the General Meeting or voted against such a resolution shall have the right to refrain from paying additional contributions.

A shareholder shall repay to the Company any dividend paid out in violation of the mandatory norms of the Law on Companies of the Republic of Lithuania, if the Company proves that the shareholder knew or should have known thereof.

Rights and obligations carried by the shares

The shareholders have the following property and non-property rights:

1. to receive a part of the Company's profit (dividend);
2. to receive Company's funds when the authorized capital of the Company is decreased in order to pay the Company's funds to the shareholders;
3. to receive shares without payment if the authorized capital is increased out of the Company's funds except in cases provided for by the Law on Companies of the Republic of Lithuania;
4. to have the pre-emption right in acquiring shares or convertible debentures issued by the Company, except in cases when the General Meeting in the manner prescribed in the Law on Companies of the Republic of Lithuania decides to withdraw the pre-emption right in acquiring the Company's newly issued shares or convertible debentures for all the shareholders;

5. to lend the Company in the manner prescribed by laws, but the Company, borrowing from its shareholders has no right to mortgage its property to shareholders. The interest shall not exceed the average interest rate of commercial banks in the lender's place of residence or business in force at the time of the loan contract when the Company is borrowing from the shareholder. In this case it is prohibited to the Company and its shareholders to agree on a higher interest rate;
6. to receive a part of assets of the Company in liquidation;
7. other statutory property rights;
8. the rights, indicated in items 1–4, are granted to those persons who were the Company's shareholders at the tenth day after the decision that was accepted at the end of general shareholders' meeting (hereinafter – at the end of right record day);
9. to participate in general shareholders' meetings;
10. to submit the questions related to the agenda of general shareholders' meetings to the Company in advance;
11. to vote at general shareholders' meetings according to voting rights carried by their shares. Each registered ordinary share carries one vote at the general shareholders' meeting except the exceptions indicated in the Law on Companies of the Republic of Lithuania. The right to vote at the general shareholders' meetings may be prohibited or restricted by the Law on Companies of the Republic of Lithuania and other cases established by law, as well as, when the ownership of the share is being disputed;
12. to receive information on the Company as indicated in the Law on Companies of the Republic of Lithuania;
13. to file a claim with the court for reparation of the Company's damage resulting from nonfeasance or malfeasance by the Company's executive and board members of their obligations prescribed by the Law on Companies of the Republic of Lithuania and other laws as well as Company's regulations;
14. to authorize natural or legal person to represent him in relations with the Company and other persons;
15. other non-property rights established by the Law on Companies of the Republic of Lithuania, other laws or the Company's regulations.

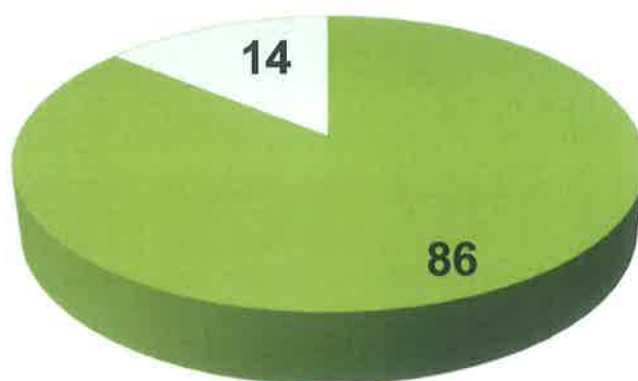
12. SHAREHOLDERS

Total number of the shareholders as of 31 August 2016 is 1,343.

The shareholders who had upon the property rights or possessed more than 5% of the issuer's authorised capital as of 31 August 2016:

Names of the companies, office addresses, codes	Number of shares owned under the property rights, units	Part of the authorised capital, %	Part of the votes, %
Invalda Privatus Kapitalas AB, company code 303075527, Seimyniskiu Str. 1 A, Vilnius	3,342,160	86.00	86.00

Part of the authorised capital, %.



■ Invalda privatus kapitalas AB □ Other

There are no shareholders, having any special rights of control.

There are no voting rights restrictions.

The Company is not aware of any agreements between the shareholders, because of which the transfer of the securities and (or) the voting right could be limited.

13. INFORMATION ABOUT THE ISSUER'S STOCK EXCHANGE TRADING ON THE REGULATED MARKETS

The Company's ordinary shares are registered on the Secondary list of Nasdaq OMX Vilnius AB.

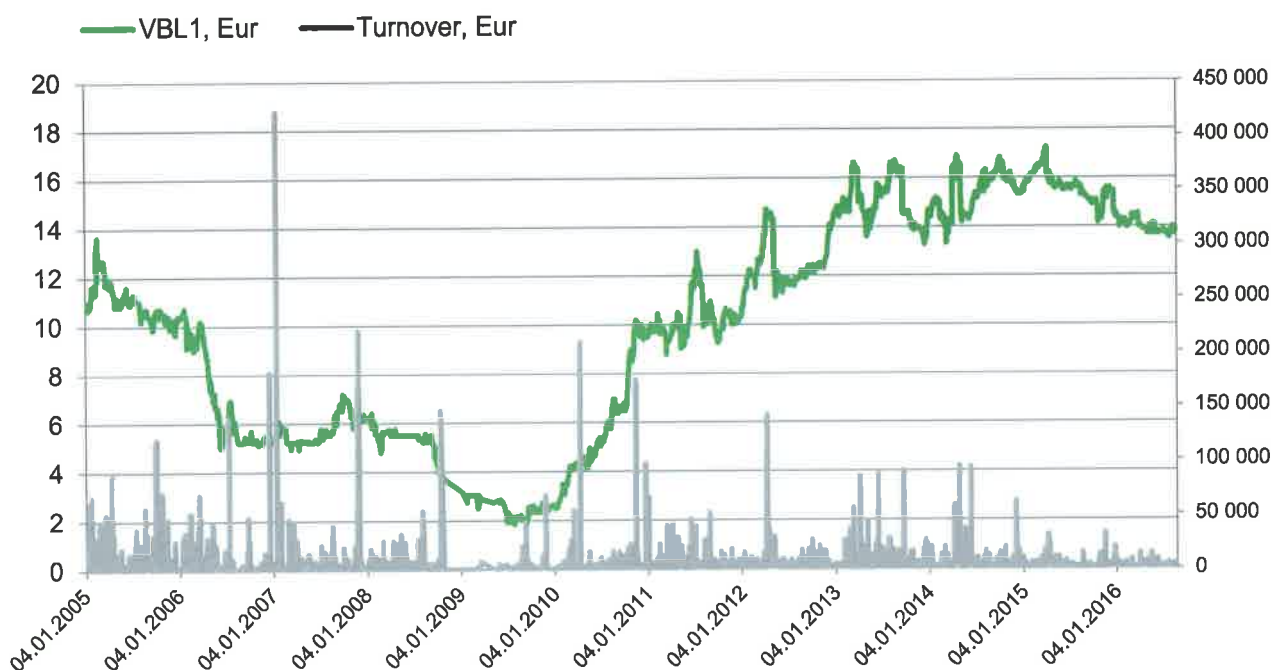
The main characteristics of shares:

Type of shares	VP ISIN code	Abbreviation	Number of shares, units.	Nominal value, EUR	Total nominal value, EUR
Ordinary registered shares	LT0000104267	VBL1L	3,886,267	1.16	4,508,069.72

The trade of the shares of the Company:

	September 2015 – August 2016	January – August 2015
Price of the shares, EUR:		
- opening	15.60	15.40
- highest	15.60	17.30
- lowest	13.50	15.20
- closing	14.00	15.30
Turnover of shares, units	29,414	28,982
Turnover of shares, EUR	424,861	466,216
Total number of transactions, units	535	610
Capitalization, million EUR	54.41	59.46

Shares turnover and price of Vilnius Baldai AB in the period of 2005–31.08.2016:



Comparison of the price of shares of Vilnius Baldai AB with the OMXBB and OMXV index in the period of 2012–31.08.2016:



Indexes/Shares	31.12.2011	31.08.2016	+/-%
—OMX Baltic Benchmark GI	431.94	726.92	68.29
—OMX Vilnius	298.78	534.13	78.77
—VBL1L	EUR 10,300	EUR 13,700	33.01

14. ORDER OF CHANGING OF THE ISSUER'S ARTICLES OF ASSOCIATION



The Articles of Company are changed by the resolution of the General Meeting of shareholders, adopted by the majority of more than 2/3 of all the votes.

15. ISSUER'S BODIES


The Company has the General Meeting of shareholders, a one-man management body – chief executive officer (General Director) and the collegial management body – the Board. The Company does not have Supervisory Board.

The Board of the Company consists of three members. It is elected for the period of four years by the General Meeting. The Board of the Company elects and withdraws and dismisses from the position the Chief Executive Officer, determines his salary, confirms the job descriptions, appoints him and imposes penalties.

The Board and Administration of the Company:

	Mr. Vytautas Bucas	
	Position Chairman of the Board, elected to the Board on 12.04.2007, re-elected on 29.04.2008, 27.04.2012, and 05.07.2016 end of the term – 2020.	
	Work experience Since May 2013 Adviser, Chairman of the Board of Invalda Privatus Kapitalas AB 2006–May 2013 Adviser of Invalda LT AB, Board member (since May 2007 until May 2013 Chairman of the Board) 2006–2007 Director of Invaldos Nekilnojamojo Turto Fondas AB 2000–2006 SEB Bankas AB, Board member, Vice President, CFO, Head of IT Department 1992–2000 Senior Auditor, Senior Manager, Manager at Arthur Andersen	
	Participation in the activities of other companies Chairman of the Board of Invalda Privatus Kapitalas AB Chairman of the Board of Bordena UAB	Number of shares and of voting rights 39.63% of shares and of voting rights -
	Mr. Dalius Kaziunas	
	Position Board member, elected to the Board on 29.04.2010, re-elected on 27.04.2012 and 05.07.2016 end of the term – 2020.	
	Work experience Since May 2013 CEO, Board member of Invalda Privatus Kapitalas AB 2012–May 2013 President of Invalda LT AB, Board member (until 30.04.2012) 2008–2011 Adviser and Board member of Invalda LT AB 2008–2009 Director of Bankas Finasta AB 1996–February 2008 assistant of financial broker of FMI Finasta AB, financial broker, Director	
	Participation in the activities of other companies CEO and Board member of Invalda Privatus Kapitalas AB Chairman of the Board of Lauko Gelininkystes Bandymu Stotis UAB Member of the Supervisory Board at Vernitas AB Chairman of the Board of Invetex UAB Member of the Board of Bordena UAB Chairman of the Board of Svytejimas UAB	Number of shares and of voting rights 1.02% of shares and of voting rights - - - - -
	Mr. Vaidas Savukynas	
	Position Board member, elected to the Board on 08.10.2014, re-elected on 05.07.2016 end of the term – 2020. Member of the Audit Committee, elected to the Audit Committee on 16.09.2013, end of the term – 2017	
	Work experience Since 2013 Chief Financial Officer at Invalda Privatus Kapitalas AB 2011–2013 Chief Financial Officer at food retail chain Narodnyi in Kyrgyz Republic 2010–2010 Director of Administration at Zemaitijos Pienas AB 1998–2009 Chief Financial Officer and Financial Analyst at concern MG Baltic and its companies (MG Baltic Trade, Apranga, Minvista) 1993–1995 Chief Executive Officer at brokerage company Bankoras 1990–1993 Marketing Manager at Lietuvos Birza AB	
Participation in the activities of other companies CFO at Invalda Privatus Kapitalas AB Member of the Board of Invetex AB Member of the Board of Lauko Gelininkystes Bandymu Stotis UAB Member of the Board of Bordena UAB Member of the Board of Svytejimas UAB CEO of Investiciju Tinklas UAB CEO of Justum UAB CEO of Krevina UAB	Number of shares and of voting rights - - - - - - - -	

	Mr. Rimantas Vaitkus	
	Position General Director since 12.05.2014	
	Work experience 2013–2014 Project Office Director of Lietuvos Energija UAB 2011–2013 CEO of Visagino Atomine Elektrine UAB 2011–2011 External Relation Director of Visagino Atomine Elektrine UAB 2010–2011 CEO of VST AB 2009–2010 CEO of LEO LT UAB 2008–2009 CEO of Rytu Skirstomieji Tinklai AB 2001–2008 Country General Manager of IBM Lietuva UAB 1998–2001 Vice-Minister of the Ministry of Economy	
	Participation in the activities of other companies	Number of shares and of voting rights

	Mr. Jonas Krutinis	
	Position Head of Finance Department since 23.02.2015, Head of Finance since 12.10.2015	
	Work experience 2014–2015 Business Intelligence Manager at SEB Baltics 2006–2014 Deputy Chairman of the Management Board, Head of Business Support, CFO at SEB Bank, Russia 2002–2006 Head of Planning at SEB Vilniaus Bankas AB 1999–2002 Business Consultant at Arthur Andersen UAB 1997–1999 Analyst at VB Vilfima UAB 1995–1997 Specialist at CSDL	
	Participation in the activities of other companies	Number of shares and of voting rights

The Company's key management personnel includes the Company's General Director and Head of Finance department. In 2016 the average monthly remuneration to the management of the Company amounted to EUR 9.13 thousand (January–August 2015 – EUR 11.94 thousand). The remuneration is not paid to the Board members of the Company.

Remuneration to the management members of the Company (in thousand EUR):

	2016	January–August 2015
Wages, salaries	167	146
Social security	52	45
Total	219	191

During 2016, the Company did not transfer any assets to the Board members, the Company's General Director, Head of Finance department; it also did not provide any guarantees or warranties, by which the performance of their liabilities would be secured.

16. SIGNIFICANT AGREEMENTS IN WHICH THE COMPANY IS INVOLVED AND WHICH WOULD BECOME EFFECTIVE, WOULD CHANGE OR WOULD BE TERMINATED IF THE CONTROL OF ISSUER CHANGED

During 2016 no material agreements were signed which would become effective, would change or would be terminated if the control of the issuer changed. Furthermore, there were no agreements signed during 2016 between the Company and its body, employees which allow compensations if they resign or are fired without the justified reason or their work finishes as a result of the change of the issuer's control.

17. 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 Company as of 31 August 2016 were: ARI-LUX UAB (the subsidiary), Invalda Privatus Kapitalas AB (ultimate shareholder) and all companies controlled by Invalda Privatus Kapitalas AB (as of 31 August 2015: ARI-LUX UAB (the subsidiary), Invalda Privatus Kapitalas AB (ultimate shareholder) and all companies controlled by these companies).

Transactions with the Group's related parties during 2016 and January–August 2015 and the balances as of 31 August 2016 and 31 August 2015 are provided in the notes (Note 25) to the Group's and Company's financial statements for the year 2016.

18. INFORMATION REGARDING COMPLIANCE WITH THE GOVERNANCE CODE OF LISTED COMPANIES

The Company complies with the principles set out by the governance code of companies listed on Nasdaq Vilnius AB stock exchange. Compliance with the governance code in accordance with the form approved by the stock exchange is disclosed in the appendix to this annual report.

19. DATA ON THE PUBLICLY DISCLOSED INFORMATION

The information publicly disclosed by Vilniaus Baldai AB during 2016 is presented in the Company's website www.vilniausbaldai.lt.

Summary of publicly disclosed information during 2016:

Date of disclosure	Brief description of disclosed information
26.10.2015	Vilniaus Baldai AB result for activity and non-audited condensed interim consolidated financial statements for the eight months of 2015
17.11.2015	Vilniaus Baldai AB audited consolidated and company's financial statements for the 8-month period ended as at 31 August 2015
19.11.2015	Convocation of Vilniaus Baldai AB Ordinary General Shareholders Meeting
19.11.2015	Draft resolutions of the Annual General Shareholders Meeting of Vilniaus Baldai AB
14.12.2015	Resolutions of the Annual General Shareholders Meeting of Vilniaus Baldai AB on 14.12.2015
22.12.2015	Vilniaus Baldai AB result for activity and non-audited condensed interim consolidated financial statements for the three months of financial year 2016
30.12.2015	Vilniaus Baldai AB preparation of interim information and release dates in 2016
30.12.2015	Procedure for the payout of dividends
05.04.2016	Vilniaus Baldai AB result for activity and non-audited condensed interim consolidated financial statements for the six months of financial year 2016
14.06.2016	Convocation of the Extraordinary General Shareholders Meeting of Vilniaus Baldai AB
14.06.2016	Draft resolutions of the Extraordinary General Shareholders Meeting
28.06.2016	Vilniaus Baldai AB result for activity and non-audited condensed interim consolidated financial statements for the nine months of financial year 2016
05.07.2016	Resolutions of the Extraordinary General Shareholders Meeting of Vilniaus Baldai AB on 05.07.2016

General Director

Rimantas Vaitkus

APPENDIX TO THE CONSOLIDATED ANNUAL REPORT

VILNIAUS BALDAI AB DISCLOSURE FORM CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES LISTED ON THE REGULATED MARKET FOR THE FINANCIAL YEAR 2016

Following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and paragraph 24.5. of the Listing Rules of the NASDAQ OMX Vilnius AB, Vilniaus Baldai AB discloses its compliance with the Governance Code, approved by the NASDAQ OMX Vilnius for the companies listed on the regulated market, and its specific provisions.

PRINCIPLES/ RECOMMENDATIONS	YES/ NO/ NOT APP- LICAB- LE	COMMENTARY
Principle I: Basic Provisions		
The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	Next year the Company will specifically focus on productivity, improvement of internal processes and quality and production of new products. This will be achieved by applying LEAN methodology in such areas as production processes, performance management, employee skills and their involvement in continuous improvement activities.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	The activity of the Company's management bodies is concentrated on the implementation of the main goals and tasks.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	The Board of the Company adopts the decisions on all the most important matters. The ordinary meetings of the Board of the Company are held at least once in a month. Extraordinary – upon the suggestion of the Chairman of the Board or Board member for the discussion and decision making of the important matters. The Board of the Company cooperates with the Chief Executive Officer.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	The Company respects the rights and the interests of all main concerned groups.

Principle II: The corporate governance framework		
The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	No	Management bodies of the Company are General Meeting, Board and Chief Executive Officer. The Company does not have a supervisory board. Control of the Board of the Company is performed by General Meeting, the Board reports to the General Meeting of Shareholders.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The Company has a collegial management body – the Board.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	No	The Company does not follow this recommendation. It has only one collegial body – the Board.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.	No	The Company follows the majority of the provisions defined in Principle III. It does not follow the provisions defined in Principle IV on the establishment of committees.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	The Board of the Company consists of 3 members. All the 3 members represent the interests of the shareholders' and aim for the benefit of the Company.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	No	Members of the Supervisory Board and non-executive directors are not appointed by the Company.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	Chief Executive Officer of the Company is not a Board member. Chairman of the Board of the Company is not and was not the chief executive officer of the Company. There are no obstacles for independent and fair supervision.

Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting		
The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	The Board formation mechanism allows ensuring proper monitoring of the Company. Only a person, having the proper qualification can become a Board member. The Board of the Company consists of the members not working at the Company.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	Information about current Board members is presented in the Company's periodic reports.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	The information on the composition of the Board is published in the annual report.
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.	Yes	Members of the Company's Board and Audit Committee have experience in companies' management, diversity of knowledge and experience to complete their tasks properly.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes	Members of the Company's Board have experience in companies' management. The Company's Board members are acquainted with the Company's organisation, its activity and management specifics.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	No	The independence of the elected Board members was not evaluated in the Company as well as the content of the notion of the sufficiency of independent members.

<p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <ol style="list-style-type: none"> 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is in no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counselling and consulting services), major client or organization receiving significant payments from the company or its group; 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) He/she has not been in the position of a member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents. 	<p>No</p>	<p>At the General Meeting of shareholders the persons were elected to the members of the Board, who are independent and acting with an aim for the benefit of the Company; however, they do not correspond to the recommendation on independence of this code.</p>
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3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.		
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	No	The Company did not use Board members' independence evaluation and disclosure practice.
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	The Company did not use Board members' independence evaluation and disclosure practice.
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholders' meeting should approve the amount of such remuneration.	No	The remuneration is not paid to the Board members of the Company.
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting		
The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	The Chief Executive Officer of the Company at least once in a month reports to the Company's Board and receives its recommendations. The Board of the Company confirms the annual report prepared by the Chief Executive Officer.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	Members of the Company's Board act in good faith for the benefit and in the interests of the Company. They try to maintain own independence in making decisions.

<p>4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.</p>	<p>Yes</p>	<p>Board members perform their functions properly: actively participate in the Board meetings and devote sufficient time and attention to perform their duties. Board meetings are attended by all members.</p>
<p>4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.</p>	<p>Yes</p>	<p>The Company follows this recommendation.</p>
<p>4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.</p>	<p>Yes</p>	<p>The transactions between the Company and its shareholders, Supervisory Board or management bodies or other natural or legal persons that may have influence on management of the Company are confirmed according to the Articles of Association of the Company.</p>
<p>4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.</p>	<p>Yes</p>	<p>The Company's Board has financial resources and does not depend on the Company's management.</p>
<p>4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore, when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However, they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.</p>	<p>No</p>	<p>The Committees of Nomination and Remuneration are not established because of the structural simplicity of the Company's management. Question regarding establishment of nomination and remuneration committees will be solved in the future after analysing situation, evaluating financial expenses and other factors, implementing best practices in the market. The compliance with the requirements for the preparation of the set of the consolidated financial statements, internal control and financial risk management systems, legal acts regulating the preparation of the set of the consolidated financial statements is supervised by the Audit Committee established on 16 September 2013.</p>

<p>4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.</p>	<p>No</p>	<p>The Committees of Nomination and Remuneration are not established because of the structural simplicity of the Company's management. The compliance with the requirements for the preparation of the set of the consolidated financial statements, internal control and financial risk management systems, legal acts regulating the preparation of the set of the consolidated financial statements is supervised by the Audit Committee established on 16 September 2013.</p>
<p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors.</p>	<p>No</p>	<p>The Committees of Nomination and Remuneration are not established because of the structural simplicity of the Company's management. The Audit Committee of Vilniaus Baldai AB consists of 2 members, one of them is independent.</p>
<p>4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.</p>	<p>No</p>	<p>The Committees of Nomination and Remuneration are not established because of the structural simplicity of the Company's management.</p>
<p>4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.</p>	<p>No</p>	<p>The Committees of Nomination and Remuneration are not established because of the structural simplicity of the Company's management.</p>

<p>4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following:• Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 1) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 2) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 3) Properly consider issues related to succession planning; 4) Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.</p>	No	The Committees of Nomination and Remuneration are not established because of the structural simplicity of the Company's management.
<p>4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: 1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; 2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; 3) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; 4) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); 5) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:</p>	No	The Committees of Nomination and Remuneration are not established because of the structural simplicity of the Company's management.

<p>1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;</p> <p>2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;</p> <p>3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.</p> <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p>		
<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <p>1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group);</p> <p>2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided;</p> <p>3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually;</p> <p>4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;</p> <p>5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee;</p> <p>6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.</p>	<p>Yes</p>	<p>The compliance with the requirements for the preparation of the set of the consolidated financial statements, internal control and financial risk management systems, legal acts regulating the preparation of the set of the consolidated financial statements is supervised by the Audit Committee established on 16 September 2013.</p> <p>The main functions of the Audit Committee of Vilniaus Baldai AB are:</p> <ol style="list-style-type: none"> 1. to advice for the Board on the selection, assignment, repeated assignment and dismissal of the external audit company and on the conditions of the agreement with external audit company; 2. to observe the process of external audit; 3. to observe if external audit company and its auditors keep the principles of independency and objectivity; 4. to observe the process of preparation of financial statements; 5. to observe the efficiency of internal control and risk management systems and to evaluate the need of internal audit functions once per financial year.

<p>4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centres and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.</p> <p>4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</p> <p>4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.</p> <p>4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.</p> <p>4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.</p> <p>4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.</p>		
<p>4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>	No	There was no such practice.

Principle V: The working procedure of the company's collegial bodies		
The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	This provision is adopted in the Company by collegial management body – the Board.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.	Yes	Meetings of the Company's Board are arranged at least once in a month.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	The Company follows the provisions listed in this recommendation.
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	No	The Company cannot implement this principle, because the Company only has a collegial management body, i.e. the Board.
Principle VI: The equitable treatment of shareholders and shareholder rights		
The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The Company's capital consists of ordinary shares that grant the same rights to all their holders.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Company fully follows the provisions listed in this recommendation.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	The Company does not follow this provision because of the established routine practice, which resulted from the faster and timely decision-making process. The Company's Board adopts decisions on these matters.

<p>6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.</p>	<p>Yes</p>	<p>All the shareholders of the Company are informed about the date, venue and time of the General Meeting. Prior to the General Meeting of Shareholders all the shareholders have possibility to receive information related to the agenda of the General Meeting.</p>
<p>6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.</p>	<p>Yes</p>	<p>The Company discloses the documents prepared for the General Meeting, including draft resolutions of the meetings via the information disclosure system of AB NASDAQ OMX Vilnius Stock Exchange. The information is e-mailed to each shareholder on request. This information is also publicly accessible on the website of the Company.</p>
<p>6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.</p>	<p>Yes</p>	<p>Shareholders of the Company can implement the right to participate at the General Meeting of Shareholders either in person, or through the representative, if a person has the duly issued Power of Attorney. The Company also provides the possibilities for the shareholders to vote by completing the general voting ballot.</p>
<p>6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish their shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.</p>	<p>Not applicable</p>	<p>Until now the Company has not had any need to implement this recommendation. Shareholders of the Company can vote through the authorized person or completing the general voting ballot.</p>
<p>Principle VII: The avoidance of conflicts of interest and their disclosure</p>		
<p>The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.</p>		
<p>7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.</p>	<p>Yes</p>	<p>The Company follows these recommendations.</p>
<p>7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.</p>	<p>Yes</p>	

7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	The Company follows these recommendations.
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	The Company's Board members are acquainted with these principles and must follow these recommendations.
Principle VIII: Company's remuneration policy		
Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	The Company does not prepare a statement of the remuneration policy. The Company publishes in the annual information the amount of the remuneration of chief management and the averages of the remuneration of the Company's administration and workers. The above mentioned information is presented in compliance with the procedure set out by the legislation of the Republic of Lithuania and at the Company.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	The Company does not prepare the remuneration statement, because the majority of the points of Principle VIII are not relevant to the present structure of the Company.
8.3. Remuneration statement should leastwise include the following information: <ul style="list-style-type: none"> • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • A description of the main characteristics of supplementary pension or early retirement schemes for directors; however, remuneration statement should not include information which should not be disclosed for commercial reasons. 	No	The Company does not prepare the remuneration statement, because the majority of the points of Principle VIII are not relevant to the present structure of the Company.
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	No	The Company does not prepare the remuneration statement, because the majority of the points of Principle VIII are not relevant to the present structure of the Company.

<p>8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.</p>	<p>No</p>	<p>The Company does not prepare the remuneration statement, because the majority of the points of Principle VIII are not relevant to the present structure of the Company.</p>
<p>8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.</p>	<p>No</p>	<p>The Company does not prepare the remuneration statement, because the majority of the points of Principle VIII are not relevant to the present structure of the Company.</p>
<p>8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.7.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ul style="list-style-type: none"> • The total amount of remuneration paid or due to the director for services performed during the previous financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; • The remuneration and advantages received from any undertaking belonging to the same group; • The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; • If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; • Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. <p>8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <ul style="list-style-type: none"> • The number of share options offered or shares granted by the company during the previous financial year and their conditions of application; • The number of shares options exercised during the previous financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; • The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; • All changes in the terms and conditions of existing share options occurring during the upcoming financial year. <p>8.7.3. The following supplementary pension schemes-related information should be disclosed:</p> <ul style="list-style-type: none"> • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 	<p>No</p>	<p>The Company does not prepare the remuneration statement, because the majority of the points of Principle VIII are not relevant to the present structure of the Company.</p>

<p>8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>		<p>The Company does not prepare the remuneration statement, because the majority of the points of Principle VIII are not relevant to the present structure of the Company.</p>
<p>8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.</p>	<p>Not applicable</p>	<p>Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements are not used in the Company.</p>
<p>8.9. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <ul style="list-style-type: none"> • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. <p>Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.</p>		
<p>8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.</p>		
<p>8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.</p>		

<p>8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.</p>	<p>Not applicable</p>	<p>Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements are not used in the Company.</p>
<p>Principle IX: The role of stakeholders in corporate governance</p>		
<p>The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.</p>		
<p>9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.</p>	<p>Yes</p>	<p>The Company follows all the requirements provided by the laws, ensuring the rights of stakeholders. The Company's employees make an influence on the Company's management through the Trade Union; the relationships with the creditors, suppliers and clients are stipulated in the contracts established with them.</p>
<p>9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.</p>		
<p>9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.</p>		

Principle X: Information disclosure		
The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.		
<p>10.1. The company should disclose information on:</p> <ul style="list-style-type: none"> • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. <p>This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.</p> <p>10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.</p> <p>10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.</p> <p>10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.</p>	<p>Yes</p>	<p>The information about the Company, indicated in these recommendations, is disclosed in the following sources: in the consolidated annual report of the Company, financial statements, reports on the purchase/loss of blocks of shares, the reports on the essential events, announcing this information in the information disclosure system of NASDAQ OMX Vilnius AB Stock Exchange and on the Company's website.</p>
<p>10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.</p>	<p>Yes</p>	<p>The information on the information disclosure of NASDAQ OMX Vilnius AB Stock Exchange is presented in the Lithuanian and English languages simultaneously. The Stock Exchange announces the received information on its website and in the trading system, in this way ensuring the simultaneous presentation of the information to everybody. The Company strives to announce the information before or after a trading session of Stock Exchange. The Company does not disclose the information, which might have impact on the value of its shares, in any comments, interviews or other ways until such information is announced officially through the information system of the Stock Exchange.</p>

VILNIAUS BALDAI AB, company code 121922783, Savanoriu Ave. 178B, Vilnius, Lithuania
CONSOLIDATED ANNUAL REPORT FOR THE FINANCIAL YEAR 2016 ENDED 31 AUGUST 2016

(all amounts are in EUR thousand unless otherwise stated)

<p>10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.</p>	<p>Yes</p>	<p>The company sends the reports simultaneously to the Bank of Lithuania and NASDAQ OMX Vilnius AB Stock Exchange. In this way the independent and timely accessibility of the information is ensured. The information on the major events is presented in the Lithuanian and English languages.</p>
<p>10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.</p>	<p>Yes</p>	<p>The Company announces on its website annual information and other periodic reports prepared by the Company, announcements about material events and changes of the Company's share prices on the Stock Exchange.</p>
<p>Principle XI: The selection of the company's auditor</p>		
<p>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</p>		
<p>11.1. An annual audit of the company's interim and annual financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.</p>	<p>No</p>	<p>The independent firm of auditors conducts the audit of the annual financial statements and reviews the annual report to check whether there is no material inconsistencies between the financial information included in it and in the audited financial statements. The audit of the interim financial statements is not conducted.</p>
<p>11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.</p>	<p>Yes</p>	<p>Company follows this principle. A candidate firm of auditors to the General Meeting is proposed by Board of the Company.</p>
<p>11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.</p>	<p>Yes</p>	<p>Shareholders are informed about other fees paid to auditors for non-audit services, if such fees occur.</p>

VILNIAUS BALDAI AB, company code 121922783, Savanoriu Ave. 178B, Vilnius, Lithuania
 CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2016 ENDED
 31 AUGUST 2016

(all amounts are in EUR thousand unless otherwise stated)

Statement of financial position

	Notes	Group		Company	
		As of 31 August 2016	As of 31 August 2015	As of 31 August 2016	As of 31 August 2015
ASSETS					
Non-current assets					
Intangible assets	4	43	26	43	26
Property, plant and equipment	5				
Land and buildings		2,263	2,295	2,263	2,295
Machinery and equipment		9,048	9,384	9,047	9,383
Vehicles		32	46	32	46
Other property, plant and equipment		418	417	418	417
Total property, plant and equipment		11,761	12,142	11,760	12,141
Investments in subsidiaries	6	-	-	5	5
Deferred income tax asset	21	81	91	81	91
Total non-current assets		11,885	12,259	11,889	12,263
Current assets					
Inventories	7	6,632	6,810	6,632	6,810
Trade receivables	8	4,868	6,511	4,868	6,511
Prepayments		189	276	189	275
Current income tax prepayment		-	24	-	24
Other receivables	9	735	812	713	795
Cash and cash equivalents	10	755	413	714	371
Total current assets		13,179	14,846	13,116	14,786
Total assets		25,064	27,105	25,005	27,049

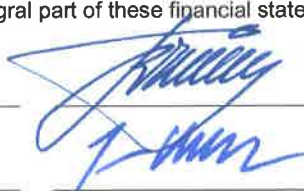

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 CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2016 ENDED
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 (all amounts are in EUR thousand unless otherwise stated)

Statement of financial position (continued)

	Notes	Group		Company	
		As of 31 August 2016	As of 31 August 2015	As of 31 August 2016	As of 31 August 2015
EQUITY AND LIABILITIES					
Equity					
Share capital	1	4,508	4,508	4,508	4,508
Legal reserve	11	451	450	451	450
Retained earnings		6,307	6,930	6,283	6,911
Total equity		11,266	11,888	11,242	11,869
Grants and subsidies		58	36	58	36
Grants and subsidies		58	36	58	36
Liabilities					
Non-current liabilities					
Non-current borrowings	12	823	26	823	26
Provisions for employee benefits	13	643	685	643	685
Total non-current liabilities		1,466	711	1,466	711
Current liabilities					
Current portion of non-current borrowings	12	2,473	2,158	2,473	2,158
Credit line	12	2,500	5,503	2,500	5,503
Trade payables	14	4,740	4,266	4,756	4,269
Other current liabilities and accrued liabilities	15	2,561	2,543	2,510	2,503
Total current liabilities		12,274	14,470	12,239	14,433
Total liabilities		13,740	15,181	13,705	15,144
Total equity and liabilities		25,064	27,105	25,005	27,049

The accompanying notes set out in pages 45–73 are an integral part of these financial statements.

General Director	Rimantas Vaitkus		11 November 2016
Head of Finance	Jonas Krutinis		11 November 2016

Statement of profit or loss and other comprehensive income*

	Notes	Group		Company	
		2016	2015	2016	2015
Revenue	16	58,953	43,900	58,953	43,900
Cost of sales	17	(51,296)	(39,183)	(51,358)	(39,225)
Gross profit		7,657	4,717	7,595	4,675
Operating expenses	18	(3,894)	(2,412)	(3,839)	(2,374)
Other income	19	347	455	349	456
Other expenses	19	(184)	(146)	(184)	(146)
Operating profit		3,926	2,614	3,921	2,611
Financial income	20	-	1	-	1
Financial costs	20	(87)	(86)	(87)	(86)
Result from financial activities		(87)	(85)	(87)	(85)
Profit before income tax		3,839	2,529	3,834	2,526
Income tax expense	21	(596)	(369)	(596)	(369)
Net profit for the reporting period		3,243	2,160	3,238	2,157
Other comprehensive income that will not be reclassified to profit or loss					
Actuarial change in provisions for employee benefits	14	21	(13)	21	(13)
Total comprehensive income for the reporting period		3,264	2,147	3,259	2,144
Attributable to owners of the Company:					
Net profit		3,243	2,160	3,238	2,157
Other comprehensive income		21	(13)	21	(13)
Total comprehensive income		3,264	2,147	3,259	2,144
Basic and diluted earnings per share (in EUR)	22	0.83	0.56	0.83	0.56

The accompanying notes set out in pages 45–73 are an integral part of these financial statements.

* Due to the change of the financial year, figures of 2016 and 2015 are not directly comparable (see note 2.3).

General Director	Rimantas Vaitkus		11 November 2016
Head of Finance	Jonas Krutinis		11 November 2016

Statement of changes in equity

Group	Notes	Attributable to the owners of the Company				Total
		Share capital	Reserve for acquisition of own shares	Legal reserve	Retained earnings	
Balance as of 31 December 2014		4,502	-	450	4,783	9,735
Net profit for the reporting period		-	-	-	2,160	2,160
Other comprehensive income	14	-	-	-	(13)	(13)
Total comprehensive income		-	-	-	2,147	2,147
Transactions with owners						
Dividends declared		-	-	-	-	-
Total transactions with owners		-	-	-	-	-
Authorised capital conversion result*		6	-	-	-	6
Balance as of 31 August 2015		4,508	-	450	6,930	11,888
Net profit for the reporting period		-	-	-	3,243	3,243
Other comprehensive income	14	-	-	-	21	21
Total comprehensive income		-	-	-	3,264	3,264
Transactions with owners						
Legal reserve accrual		-	-	1	(1)	-
Dividends declared		-	-	-	(3,886)	(3,886)
Total transactions with owners		-	-	1	(3,887)	(3,886)
Balance as of 31 August 2016		4,508	-	451	6,307	11,266

(continued on the next page)

Statement of changes in equity (continued)

Company	Notes	Share capital	Reserve for acquisition of own shares	Legal reserve	Retained earnings	Total
Balance as of 31 December 2014		4,502	-	450	4,767	9,719
Net profit for the reporting period		-	-	-	2,157	2,157
Other comprehensive income	14	-	-	-	(13)	(13)
Total comprehensive income		-	-	-	2,144	2,144
Transactions with owners						
Dividends declared		-	-	-	-	-
Total transactions with owners		-	-	-	-	-
Authorised capital conversion result*		6	-	-	-	6
Balance as of 31 August 2015		4,508	-	450	6,911	11,869
Net profit for the reporting period		-	-	-	3,238	3,238
Other comprehensive income	14	-	-	-	21	21
Total comprehensive income		-	-	-	3,259	3,259
Transactions with owners						
Legal reserve accrual		-	-	1	(1)	-
Dividends declared		-	-	-	(3,886)	(3,886)
Total transactions with owners		-	-	1	(3,887)	(3,886)
Balance as of 31 August 2016		4,508	-	451	6,283	11,242

The accompanying notes set out in pages 45–73 are an integral part of these financial statements.

* The result of conversion of nominal value of ordinary shares from LTL to EUR following adoption of the euro on 1 January 2015.

General Director	Rimantas Vaitkus		11 November 2016
Head of Finance	Jonas Krutinis		11 November 2016

VILNIAUS BALDAI AB, company code 121922783, Savanoriu Ave. 178B, Vilnius, Lithuania
**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2016 ENDED
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(all amounts are in EUR thousand unless otherwise stated)

Statement of cash flows*

	Group		Company	
	2016	2015	2016	2015
Cash flows from operating activities				
Profit before income tax	3,839	2,529	3,834	2,526
Adjustments for:				
Depreciation and amortization	1,276	1,315	1,276	1,313
Change in provisions for employee benefits	(42)	90	(42)	90
Result from the disposal of property, plant and equipment	(2)	(176)	(2)	(176)
Write-off of property, plant and equipment	28	3	28	3
Change in write down to net realizable value	(25)	-	(25)	-
Interest expenses (income)	78	70	78	70
Other	3	-	1	-
	5,155	3,831	5,148	3,826
Changes in working capital:				
Decrease (increase) in inventories	159	(2,270)	159	(2,270)
Decrease (increase) in prepayments	87	(208)	86	(208)
Decrease (increase) in trade receivables	1,643	(1,969)	1,644	(1,968)
Decrease (increase) in other receivables	(486)	(674)	(481)	(659)
Increase (decrease) in trade payables	474	683	487	686
Decrease in other current payables and liabilities	12	372	2	343
Cash flows from operating activities	7,044	(235)	7,045	(250)
Income tax (paid)	-	-	-	-
Net cash flows from operating activities	7,044	(235)	7,045	(250)
Cash flows from investing activities				
Loans granted to related party	-	(900)	-	(900)
Loan repayments received from related party	-	900	-	900
Received interest	-	1	-	1
Purchases of property, plant and equipment and intangible assets	(940)	(471)	(940)	(471)
Proceeds from disposal of non-current assets	3	1,105	3	1,105
Transfer (to) from time deposits	24	36	24	36
Net cash flows from (used in) investing activities	(913)	671	(913)	671



(continued on the next page)

Statement of cash flows (continued)

	Group		Company	
	2016	2015	2016	2015
Cash flows from (used in) financing activities				
Proceeds from loan from related party	-	-	-	-
Repayment of loan to related party	-	-	-	-
Proceeds from borrowings	5,056	3,586	5,056	3,586
Repayments of borrowings	(6,947)	(4,628)	(6,947)	(4,628)
Dividends paid	(3,818)	(14)	(3,818)	(14)
Interest paid	(80)	(63)	(80)	(63)
Net cash flows (used in) financing activities	(5,789)	(1,119)	(5,789)	(1,119)
Net (decrease) increase in cash and cash equivalents	342	(683)	343	(698)
Cash and cash equivalents at the beginning of the period	413	1,096	371	1,069
Cash and cash equivalents at the end of the period	755	413	714	371

The accompanying notes set out in pages 45–73 are an integral part of these financial statements.

* Due to the change of the financial year figures of 2016 and 2015 are not directly comparable (see note 2.3).

General Director	Rimantas Vaitkus		11 November 2016
Head of Finance	Jonas Krutinis		11 November 2016

VILNIAUS BALDAI AB, company code 121922783, Savanoriu Ave. 178B, Vilnius, Lithuania
CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2016 ENDED
31 AUGUST 2016

(all amounts are in EUR thousand unless otherwise stated)

Notes to the financial statements

1 General information

Vilnius Baldai AB (hereinafter "the Company") is a public limited liability company registered in the Republic of Lithuania. The address of its registered office is Savanoriu Ave. 178B, Vilnius, LT-03154, Lithuania.

The Company is engaged in furniture production and trade. The Company was registered on 9 February 1993; its shares are traded in the Secondary List of the NASDAQ OMX Vilnius AB.

As of 31 August 2016 and 2015 the shareholders of the Group and the Company were:

	2016		2015	
	Number of votes held	Percentage	Number of votes held	Percentage
Invalda Privatus Kapitalas AB	3,342,160	86.00	3,342,160	86.00
Other shareholders	544,107	14.00	544,107	14.00
Total	3,886,267	100.00	3,886,267	100.00

As of 31 August 2016, the Company's share capital amounted to EUR 4,508,069.72 and it was divided into 3,886,267 ordinary registered shares. As of 31 August 2016 and 2015, all the shares of the Company are ordinary shares with the par value of EUR 1.16 each and were fully paid. The share capital did not change in 2016 and 2015. The Company did not hold its own shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Company. All shares rank equally with regard to the Company's residual assets.

The Group consists of Vilnius Baldai AB and its subsidiary ARI-LUX UAB (hereinafter "the Group"). ARI-LUX UAB information as of 31 August 2016:

Company	Registration address	Share of ownership held by the Company, %	Share capital	Profit (loss) for the reporting period	Equity	Main activities
ARI-LUX UAB	Savanoriu Ave. 178, Vilnius	100	3	6	30	Packaging of accessories

As of 31 August 2016 the number of employees of the Group and the Company was 616 and 572, respectively (as of 31 August 2015 – 724 and 673, respectively).

These financial statements include the consolidated financial statements of the Group and the separate financial statements of the Company.

The Company's management approved these financial statements on 11 November 2016. The shareholders of the Company have a statutory right to approve these financial statements or not to approve them and to require preparation of another set of financial statements.

2 Accounting principles

The principal accounting policies adopted in preparing the Group's and the Company's financial statements for the year 2016 are as follows:

2.1. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter IFRSs), as adopted by the European Union (hereinafter the EU). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs, as adopted by the European Union, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.26. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

New standards, amendments and interpretations

The Group and the Company have consistently applied the accounting policies set out in Note 2 to all periods presented in these financial statements.

Accounting policy applied for these financial statements is the same as used for financial statements of period ending 31 August 2015.

Standards, interpretations and amendments to published standards that are not yet effective

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. Those which may be relevant to the Group and the Company as well as management's judgements regarding the possible impact of initial application of new and revised standards and interpretations are set out below. The Group and the Company do not plan to adopt these amendments, standards and interpretations early.

- (i) *IAS 1 Presentation of Financial Statements*. The amendments aim at increasing the clarity of disclosures and encouraging companies to rely on professional judgement when determining which information should be disclosed in the financial statements in accordance with IAS 1.
- (ii) *IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets*. The amendment states that revenue-based methods of depreciation and amortisation cannot be used for property, plant and equipment as well as for intangible assets. The use of these depreciation and amortisation methods requires disclosing the justification for their suitability to use. The Group and Company do not plan to use these methods; therefore, the amendment will not have any impact on the Group's or the Company's financial statements.
- (iii) *Annual Improvements to IFRSs*

None of these amendments are expected to have a significant effect on the Group's and the Company's financial statements.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these financial statements. Those which may be relevant to the Group and the Company are set out below. The Group and the Company do not plan to adopt these standards early.

- (i) *New IFRS 15 Revenue from Contracts with Customers (applicable to financial statements for the reporting period beginning on or after 1 January 2018)*. The Group and the Company do not expect that the new Standard, when initially applied, will have material impact on the financial statements. The timing and measurement of the Group's and the Company's revenues are not expected to change under IFRS 15 because of the nature of the Group's and the Company's operations and the types of revenues they earn.
- (ii) *New IFRS 16 Leases (applicable to financial statements for the reporting period beginning on or after 1 January 2019)*. The new standard, when initially applied, might have a significant impact on the financial statements, as the Group and the Company as lessees shall recognise right-of-use assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Currently, the Group and the Company are assessing the impact of the new standard on the financial statements on its initial application.
- (iii) *New IFRS 9 Financial Instruments (applicable to financial statements for the reporting period beginning on or after 1 January 2018)*.

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(all amounts are in EUR thousand unless otherwise stated)

2.1. Basis of preparation (continued)

- (iv) *Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative (applicable to financial statements for the reporting period beginning on or after 1 January 2017).*
- (v) *Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (applicable to financial statements for the reporting period beginning on or after 1 January 2018).*

As to the Company's assessment, none of these new standards and amendments will have a significant effect on the Group's and the Company's financial statements except for the possible effect of the new IFRS 16 *Leases*.

2.2. Functional and financial statements currency

Starting from 1 January 2015 the Group's and the Company's functional and financial statements currency is euro. Financial statements are prepared in thousands of euro.

The Group's and the Company's accounting data expressed in litas as of 31 December 2014 (prior to the euro adoption) were recalculated into euro according to irrevocable litas and euro exchange rate – 1 EUR = LTL 3.45280.

2.3. Financial year

On 8 October 2014 the Extraordinary General Shareholders Meeting of Vilniaus Baldai AB has resolved to change the financial year, which earlier started 1 January and ended 31 December, to the financial year beginning on 1 September and ending on 31 August of the next year in order to coordinate the period of financial year of Vilniaus Baldai AB and its main customer. The figures of the financial statements for the year 2016 are not directly comparable with the figures of the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the previous transitional period from 1 January until 31 August 2015. Hereinafter, in the financial statements and in the notes "year 2015" or "2015" means the 8-month period ended on 31 August 2015, while "year 2016" or "2016" means 12-month period ended on 31 August 2016.

2.4. Principles of consolidation

The consolidated financial statements of the Group include Vilniaus Baldai AB and its subsidiary. The control is normally evidenced when the Group owns, either directly or indirectly, more than 50 percent of the voting rights of a company's share capital and/or is able to govern the financial and operating policies of an enterprise so as to benefit from its activities.

Subsidiaries are consolidated from the date from which effective control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Company. All intercompany transactions, balances and unrealized gains and losses on transactions among the Group companies have been eliminated.

The consolidated financial statements are prepared on the basis of the same accounting principles applied to similar transactions and other events under similar circumstances. The financial statements of the Subsidiary were prepared for the same period as that of the Company.

2.5. Intangible assets

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Group and the Company and the cost of asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives.

Software

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

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

2.6. Property, plant and equipment

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

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in profit or loss.

The initial cost of property, plant and equipment comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repair and maintenance costs, are normally charged to profit or loss in the period the costs are incurred.

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

Buildings	10–66 years
Machinery and equipment	6–15 years
Vehicles	5–10 years
Other property, plant and equipment	2–6 years

The assets' residual values and useful lives are reviewed periodically to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from items in property, plant and equipment.

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

Borrowing costs directly attributable to the acquisition, construction or production of assets that are not stated at fair value and necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group and the Company capitalise borrowing costs that could have been avoided if they had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Group's and the Company's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

2.7. Financial instruments – assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. The Group and the Company determine the classification of their financial assets based on the nature and purpose at initial recognition.

Financial assets are recognised on a trade date basis where the purchase or sale process is under a contract, which terms require delivery of the financial assets within the timeframe established by the market concerned. Financial assets are recognised initially at fair value, plus, in the case of investments are not carried at fair value through profit or loss, directly attributable transaction costs.

The Group's and the Company's financial assets include cash, time deposits, trade receivables and other receivables and loans.

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest rate method. Gains or losses are recognized in profit or loss when such assets are impaired, as well as through the amortization process. Loans and receivables are initially recorded at acquisition cost (the fair value of the consideration given). Current receivables are subsequently carried at cost less impairment, and non-current receivables and loans granted – at amortised cost using the effective interest rate method, less impairment.

2.7. Financial instruments – assets (continued)

Loans and receivables 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.

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 rate method, less impairment losses. Short term trade receivables are not discounted.

Cash and cash equivalents

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

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and cash with banks, time deposits held at call with banks with original maturities of 3 months or less and other short-term highly liquid investments.

Effective interest rate method

Effective interest rate method is used to calculate amortised cost of financial assets and allocate interest income over the relevant period. The effective interest rate exactly discounts estimated future cash flows through the expected life of the financial asset.

De-recognition of financial assets

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

- the rights to receive cash flows from the asset have expired;
- the Group 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 and 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) have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.8. Financial instruments – liabilities

The Group's and the Company's financial liabilities include borrowings, trade payables and other payables.

Borrowings

Borrowings are initially recognized at the fair value of proceeds received, less the costs of transaction. They are subsequently carried at amortized cost, the difference between net proceeds and redemption value being recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowing costs are expensed as incurred, unless they are directly attributable to acquisition, construction or production of a qualifying asset.

Interest paid is classified as cash flows from financing activities in the statement of cash flows.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

2.8. Financial Instruments – liabilities (continued)

Trade payables are recognized when the other party fulfils its contractual obligations and are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

De-recognition of financial liabilities

A financial liability is derecognised only when the obligation is discharged or cancelled, or expires.

An exchange between the Company and the same lender of debt instruments with substantially different terms or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, with the difference between their respective carrying amounts recognised in profit or loss.

2.9. Investments into subsidiaries in the Company's separate financial statements

Investments in subsidiaries are accounted at cost in the Company's separate financial statements. Cost of investment is decreased by impairment losses.

Impairment is determined by assessing the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is lower than the carrying amount in the Company's statement of financial position, an impairment loss is recognized.

2.10. Inventories

Inventories are initially recorded at acquisition cost. Subsequent to initial recognition, inventories are valued at the lower of cost or net realizable value. Net realizable value is the selling price in the ordinary course of business, less the costs of completion and applicable variable marketing and distribution costs. Cost is determined by the first-in, first-out (FIFO) method. The cost of finished goods and work in progress includes the applicable allocation of fixed and variable overhead costs based on a normal operating capacity. Unrealizable inventory is fully written-off.

2.11. Share capital

Ordinary registered shares are classified as share capital. Ordinary registered shares are stated at their par value.

2.12. Dividends

Dividends are recognised in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders. Dividends paid are classified as cash flows from financing activities in the statement of cash flows.

2.13. Leases

The Company and the Group are lessees

(a) Finance lease

Leases of property, plant and equipment where the Company and the Group have substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the estimated present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant interest rate on the finance lease balance outstanding. The corresponding rental obligations, net of finance charges, are included in long-term payables except for instalments due within 12 months which are included in current liabilities.

The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

(b) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2.13. Leases (continued)

The Company and the Group are lessors

(c) Operating lease

Payments received under operating leases (net of any incentives given to the lessee) are recognized in profit or loss on a straight-line basis over the period of the lease.

2.14. Employee benefits

(a) Social security contributions

The Company and the Group pay social security contributions to the state Social Security Fund (the Fund) on behalf of their employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution is a plan under which the Company and the Group pay 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 are included in payroll expenses.

(b) 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 or the Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the date of the statement of financial position are discounted to their present value.

(c) Bonus plans

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

(d) Provisions for pensions and jubilee payments

According to the terms of the collective employment agreement effective at the Group and the Company, each employee is entitled to a pension benefit amounting to 2 or 3 months' salary payment when leaving the Group and the Company after reaching the pension age and a jubilee benefit. Actuarial calculations are made to determine liability for such payments. The liability is recognised at present value discounted using market interest rate.

The Group and the Company recognise re-measurements of the pension benefit obligation in 'Other comprehensive income that will not be reclassified to profit or loss'. These amounts recognised as other comprehensive income are accounted for under equity. Jubilee benefits and long-service benefits are accounted for by the Group and the Company within profit or loss.

2.15. Provisions

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

2.16. Income tax

Income tax charge is based on profit for the year and considers deferred taxation. Income tax is calculated based on the Lithuanian tax legislation.

The standard income tax rate in the Republic of Lithuania was 15% in 2016 (15% in 2015).

2.16. Income tax (continued)

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 change its activities due to which these losses were incurred except when the Company do not continue its activities due to reasons which do not depend on the Company itself. Starting from 2014 the amount of utilised tax losses cannot exceed 70% of taxable profit for the tax period calculated by deducting non-taxable income, allowed tax deductions and allowed limited amount deductions from income, except for tax losses of the previous periods. 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 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 limitation (up to 70% on profit from transfer of securities) is not applied to losses on transfer of securities from previous tax periods deductible from profit on transfer of securities from the taxable period.

Deferred 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 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 substantively enacted at the reporting date.

A deferred tax asset is recognized in the statement of financial position to the extent the management believes it will be realized in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax asset is not going to be realized, this part of the deferred tax asset is not recognized in the financial statements.

Investment tax credit that arises from tax benefit amount carried forward qualifies for the initial recognition exception. Therefore, no deferred tax asset is recognised at the time the tax credit arises, but recognition occurs as a reduction of current tax as the credit is realised.

Deferred tax assets and liabilities are offset when they are related to taxes levied by the same tax authority and when there is a legally enforceable right to cover current payable taxes at net value.

Income tax and deferred tax for the accounting period

Income tax and deferred income tax are charged or credited to profit or loss, except when they relate to items included directly to equity, in which case the deferred income tax is also accounted for in other comprehensive income.

2.17. Revenue recognition

a) Sales of goods and services

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

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

b) Interest income

Interest income is recognised on a proportionate basis in profit or loss using the effective interest rate method. When a receivable is impaired, the Group and the Company reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate. Interest income is classified as cash flows from investing activities in the statement of cash flows.

2.18. Expense recognition

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

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

2.19. Foreign currency transactions

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies on the statement of financial position date are recognized in profit or loss. Such balances are translated at period-end exchange rates. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to euro at foreign exchange rates ruling at the dates the fair value was determined.

2.20. Impairment of assets

Financial assets

Financial assets are reviewed for impairment at each statement of financial position date.

For financial assets carried at amortized cost, whenever it is probable that the Group and the Company will not collect all amounts due according to the contractual terms of loans or receivables, an impairment or bad debt loss is recognized in profit or loss. Impairment of trade and other receivables is established when there is objective evidence (such as probability of default or significant financial difficulties of the client) that the Group and the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

The recoverable amount of receivables carried at amortised cost is measured as the present value of future cash flows discounted at the original interest rate (i.e. the effective interest rate calculated at the initial recognition of these receivables).

The reversal of impairment losses previously recognized is recorded when the decrease in impairment loss can be justified by an event occurring after the write-down. Such reversal is recorded in profit or loss under the same caption as impairment losses. However, the increased carrying amount is only recognized to the extent it does not exceed the amortized cost that would have been had the impairment not been recognized.

Non-financial assets

Non-financial assets, other than inventories and deferred tax are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in profit or loss.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. Reversal is accounted for in the same caption in profit or loss as impairment losses. For evaluation of impairment of assets the entire Group is considered as one cash generating unit.

2.21. Segment information

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 the Board of directors that makes strategic decisions.

2.22. Related parties

Related parties are defined as shareholders, employees, members of the Board, their close relatives and companies that directly or indirectly (through the intermediary) control or are controlled by, or are under common control with, the Group and the Company, provided the listed relationship empowers one of the parties to exercise the control or significant influence over the other party in making financial and operating decisions.

2.23. Contingencies

Contingent liabilities are not recognized 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 recognized in the financial statements but disclosed when an inflow or economic benefits is probable.

2.24. Subsequent events

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

2.25. Offsetting and comparative figures

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

2.26. Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and disclosure of contingencies, at the reporting date and within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. 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.

Estimates and assumptions

The main areas where management is required to make significant and critical judgements and areas where estimates and assumptions might have significant impact for the preparation of financial statements are described below:

Property, plant and equipment – useful life

The key assumptions concerning determination of the useful life of property, plant and equipment are as follows: expected usage term of the asset, expected technical, technological or other obsolescence arising from changes or improvements in the production, legal or similar limits on the use of the asset, such as the expiry dates of related leases. Further details are given in Note 2.6.

Tax liabilities

The tax authorities have a right to examine the Group's and the Company's books and accounting records at any time during the 5 years' 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.

Related-party transactions

In the normal course of business the Group and the Company enter into transactions with their related parties. These transactions are priced at market rates. Judgement is applied in determining if transactions are priced at market or non-market rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties.

Pension and jubilee benefits

Key assumptions used in determining the provision for pension and jubilee benefits are as follows: employee turnover rate by age group, discount rate, and wage and salary growth. The Group's and the Company's management makes judgements in relation to these assumptions. See Note 13 for more details.

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3 Segment information

Management of the Company has determined the operating segments based on the reports reviewed by the board of directors, considered to be the chief operating decision makers that are used to make strategic decisions. Based on this it was decided that the Company and the Group have a single reportable segment, i.e. furniture production and trade.

Breakdown of revenue by the location where production is delivered:

	Sales			
	Group		Company	
	2016	2015	2016	2015
European Union countries, excluding Lithuania	36,363	25,749	36,363	25,749
Non-European Union countries	21,932	17,539	21,932	17,539
Lithuania	658	612	658	612
	58,953	43,900	58,953	43,900

4 Intangible assets

	Software	
	Group	Company
Cost:		
Balance as of 31 December 2014	183	183
Additions	3	3
Balance as of 31 August 2015	186	186
Additions	46	46
Balance as of 31 August 2016	232	232
Amortisation:		
Balance as of 31 December 2014	145	145
Charge for the year	15	15
Balance as of 31 August 2015	160	160
Charge for the year	29	29
Balance as of 31 August 2016	189	189
Net book value as of 31 August 2016	43	43
Net book value as of 31 August 2015	26	26

Amortization expenses of intangible assets are included within operating expenses in profit or loss. Intangible assets of the Group and the Company with an acquisition cost of EUR 84 thousand as of 31 August 2016 (as of 31 August 2015 – EUR 118 thousand) are fully amortised but still in use.

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5 Property, plant and equipment

Group	Land and buildings	Machinery and equipment	Vehicles	Other property, plant and equipment	Total
Cost:					
Balance as of 31 December 2014	6,959	26,894	189	1,138	35,180
Additions	47	222	-	199	468
Disposals and retirements	(2,703)	(205)	(16)	(51)	(2,975)
Reclassified from/ to	-	40	-	(40)	-
Balance as of 31 August 2015	4,303	26,951	173	1,246	32,673
Additions	90	601	4	201	896
Disposals and retirements	(36)	(171)	-	(150)	(357)
Reclassified from/ to	17	81	-	(98)	-
Balance as of 31 August 2016	4,374	27,462	177	1,199	33,212
Accumulated depreciation:					
Balance as of 31 December 2014	3,664	16,688	103	818	21,273
Charge for the year	120	1,081	40	59	1,300
Disposals and retirements	(1,776)	(202)	(16)	(48)	(2,042)
Balance as of 31 August 2015	2,008	17,567	127	829	20,531
Charge for the year	139	990	18	100	1,247
Disposals and retirements	(36)	(143)	-	(148)	(327)
Balance as of 31 August 2016	2,111	18,414	145	781	21,451
Net book value as of 31 August 2016	2,263	9,048	32	418	11,761
Net book value as of 31 August 2015	2,295	9,384	46	417	12,142

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5 Property, plant and equipment (continued)

Company	Land and buildings	Machinery and equipment	Vehicles	Other property, plant and equipment	Total
Cost:					
Balance as of 31 December 2014	6,959	26,891	189	1,137	35,176
Additions	47	222	-	199	468
Disposals and retirements	(2,703)	(204)	(16)	(51)	(2,974)
Reclassified from/ to	-	40	-	(40)	-
Balance as of 31 August 2015	4,303	26,949	173	1,245	32,670
Additions	90	601	4	201	896
Disposals and retirements	(36)	(171)	-	(149)	(356)
Reclassified from/ to	17	81	-	(98)	-
Balance as of 31 August 2016	4,374	27,460	177	1,199	33,210
Accumulated depreciation:					
Balance as of 31 December 2014	3,664	16,686	103	818	21,271
Charge for the year	120	1,080	40	58	1,298
Disposals and retirements	(1,776)	(200)	(16)	(48)	(2,040)
Balance as of 31 August 2015	2,008	17,566	127	828	20,529
Charge for the year	139	990	18	100	1,247
Disposals and retirements	(36)	(143)	-	(147)	(326)
Balance as of 31 August 2016	2,111	18,413	145	781	21,450
Net book value as of 31 August 2016	2,263	9,047	32	418	11,760
Net book value as of 31 August 2015	2,295	9,383	46	417	12,141

Depreciation charge for the year was recognised as follows:

	Group		Company	
	2016	2015	2016	2015
Cost of sales	1,232	1,173	1,232	1,173
Operating expenses	45	58	45	57
Inventories – finished goods	(30)	69	(30)	68
	1,247	1,300	1,247	1,298

Property, plant and equipment of the Group and the Company with an acquisition cost of EUR 4,194 thousand was fully depreciated as of 31 August 2016 (EUR 4,347 thousand as of 31 August 2015), and was still in active use. The major part of the fully depreciated property, plant and equipment consists of machinery and equipment.

The net book value of the Company's property, plant and equipment acquired under finance lease contracts amounted to EUR 26 thousand as of 31 August 2016 (EUR 41 thousand as of 31 August 2015). Property, plant and equipment acquired under finance lease contracts are classified as vehicles.

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5 Property, plant and equipment (continued)

The Company's prepayments for non-current assets amounted to EUR 2 thousand as of 31 August 2016 (EUR 46 thousand as of 31 August 2015). Prepayments are classified as other property, plant and equipment.

As of 31 August 2016, the Company's property, plant and equipment with the net book value of EUR 9,388 thousand was pledged to the bank as collateral for loans granted (Note 12).

6 Investments into subsidiaries

Acquisition cost of investment of the Company in subsidiary as of 31 August 2016 and 2015 are presented below:

	2016		2015	
	Share capital	Acquisition cost	Share capital	Acquisition cost
ARI-LUX UAB	100%	5	100%	5
		<u>5</u>		<u>5</u>

Performance results of the subsidiary before elimination of related transactions in 2016 and 2015.

Statement of financial position

	As of 31 August 2016	As of 31 August 2015
Non-current assets	1	1
Current assets	79	63
Total assets	80	64
Equity and reserves	30	24
Non-current liabilities	-	-
Current liabilities	50	40
Total equity and liabilities	80	64

Statement of profit or loss and other comprehensive income

	2016	2015
Revenue	252	183
Cost of sales	(190)	(141)
Gross profit	62	42
Operating expenses	(56)	(40)
Profit (loss) before income tax	6	2
Income tax expense	-	-
Net profit (loss) for the reporting period	6	2

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7 Inventories

	Group		Company	
	2016	2015	2016	2015
Raw materials	2,394	2,123	2,394	2,123
Work in progress	213	282	213	282
Finished goods	4,048	4,405	4,048	4,405
Goods for resale	2	-	2	-
Less: write-down to net realizable value	(25)	-	(25)	-
	6,632	6,810	6,632	6,810

Raw materials consist of wood, accessories, plastics, chemical materials and other materials used in production.

In 2016, part of the inventories with initial value of EUR 26 thousand was written down to net realizable value. The revaluation of inventories is accounted for under operating expenses. As of 31 December 2015, no write-down to net realizable value was accounted for the Group's and the Company's inventories.

All inventories are pledged to the bank according to loan agreements (Note 12).

8 Trade receivables

	Group		Company	
	2016	2015	2016	2015
Trade receivables, gross	4,868	6,511	4,868	6,511
Less: impairment for doubtful receivables	-	-	-	-
	4,868	6,511	4,868	6,511

Trade receivables are non-interest bearing and are generally on 30 days payment terms.

As of 31 August 2016 and 31 August 2015, no impairment allowance was recognised for trade receivables of the Group and the Company.

The ageing analysis of the Group's and the Company's trade receivables as of 31 August 2016 and 31 August 2015 is as follows:

	Trade receivables neither past due nor impaired	Trade receivables past due, but not impaired					Total
		Less than 30 days	30-60 days	60-90 days	90-120 days	More than 120 days	
2016	4,867	1	-	-	-	-	4,868
2015	5,955	546	4	4	1	1	6,511

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9 Other receivables

	Group		Company	
	2016	2015	2016	2015
Refundable VAT	684	714	684	714
Other receivables	51	98	29	81
	735	812	713	795

Other receivables of the Group and the Company were neither past due nor impaired as of 31 August 2016 and 31 August 2015.

10 Cash and cash equivalents

	Group		Company	
	2016	2015	2016	2015
Cash at bank	755	413	714	371
	755	413	714	371

The Company's cash balances in bank accounts denominated in foreign currency and euro, and future inflows to the accounts at Danske Bank A/S Lithuania Branch were pledged to the bank as collateral for loans granted (Note 12).

11 Reserves

Legal reserve

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net profit are compulsory until the reserve reaches 10% of the share capital. As of 31 August 2016, the Company's legal reserve is fully formed.

12 Financial liabilities

	Group		Company	
	As of 31 August 2016	As of 31 August 2015	As of 31 August 2016	As of 31 August 2015
Non-current borrowings				
Finance lease	13	26	13	26
Loans	810	-	810	-
	823	26	823	26
Current borrowings				
Current portion of non-current finance lease	13	29	13	29
Current portion of loans	2,460	2,129	2,460	2,129
Credit line	2,500	5,503	2,500	5,503
	4,973	7,661	4,973	7,661
	5,796	7,687	5,796	7,687

The Company's buildings and machinery with the total net book value of EUR 9,388 thousand as of 31 August 2016 (EUR 10,089 thousand as of 31 August 2015) and the current cash balances and future inflows to the Company's accounts at Danske Bank A/S Lithuania Branch and inventories were pledged as collateral for the loans granted.

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12 Financial liabilities (continued)

Terms of repayment of non-current and current borrowings of the Group and the Company are as follows:

	Group		Company	
	Fixed interest rate	Variable interest rate	Fixed interest rate	Variable interest rate
	As of 31 August 2016			
2017	-	4,973	-	4,973
2018	-	823	-	823
	-	5,796	-	5,796

In December 2015, the Company signed amendments to the agreement on financing (crediting) services with Danske Bank A/S Lithuania Branch for the loan amount and repayment terms.

Actual interest rates are close to the effective interest rates. As of 31 August 2016 the weighted average annual interest rate on outstanding balances of the Group's and the Company's borrowing was 0.95% (1.24% as of 31 August 2015). In 2016 and 2015, the period of re-pricing variable interest rates on borrowings was 3 and 6 months.

The fair value of current and non-current borrowings approximates their carrying amount as the contractual terms of the borrowings are considered to be at market rates,

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

	Group		Company	
	2016	2015	2016	2015
Credit line	0.95%	1.14%	0.95%	1.14%
Loans	0.95%	1.49%	0.95%	1.49%
Finance lease	1.64%	2.28%	1.64%	2.28%

Borrowings at the end of the year in functional and foreign currencies:

	Group		Company	
	2016	2015	2016	2015
Borrowings denominated in:				
EUR	5,796	7,687	5,796	7,687
	5,796	7,687	5,796	7,687

Finance lease liabilities are payable as follows:

The Company and the Group	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2016	2015	2016	2015	2016	2015
Not later than 1 year	13	29	-	1	13	29
Later than 1 year and no later than 5 years	13	26	-	-	13	26
Later than five years	-	-	-	-	-	-
	26	55	-	1	26	55

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13 Provisions for employee benefits

	Group		Company	
	2016	2015	2016	2015
Provisions for pension benefits	259	292	259	292
Provisions for jubilee and other benefits	384	393	384	393
	643	685	643	685

Provisions for pension and jubilee benefits comprise amounts calculated in line with the collective employment agreement effective at the Company. Each employee is entitled to a jubilee benefit and a pension benefit amounting to 2 or 3 months' salary payments on leaving the Company after reaching the retirement age. Key assumptions used in determining the provisions for pension and jubilee benefits are as follows: employee turnover rate by age group, discount rate, and wage and salary growth.

The main actuarial assumptions used for the calculation of provisions for pension and jubilee benefits were as follows:

	2016	2015
Discount rate	1.5%	3%
Salary growth rate	6%	5%
Rate of employee turnover by age group:		
younger than 25 years	0–40%	0–40%
from 25 to 45 years	10–15%	10–15%
from 45 to 59 years	10%	10%
from 59 to 75 years	0–10%	0–10%

The following table demonstrates the sensitivity of the Group's and the Company's other comprehensive income to possible changes in actuarial assumptions with all other variables held constant:

	Increase / decrease, %	Impact on other comprehensive income
2016		
Discount rate	+0.5%	(23)
Salary growth rate	+0.5%	23
Discount rate	-0.5%	25
Salary growth rate	-0.5%	(22)

The movement in the provisions for pension benefits is as follows:

The Group and the Company	2016	2015
As of 1 September	292	243
Growth in the current year	42	39
Payments	(54)	(3)
Re-measurements of pension benefits	(21)	13
As of 31 August	259	292

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13 Provisions for employee benefits (continued)

The movement in the provisions for jubilee and other benefits is as follows:

The Group and the Company	2016	2015
As of 1 September	393	352
Growth in the current year	42	96
Payments	(51)	(55)
Re-measurements of jubilee and other benefits	-	-
At 31 August	384	393

14 Trade payables

Trade payables are non-interest bearing and are normally settled on 30–60 days terms.

15 Other current and accrued liabilities

	Group		Company	
	2016	2015	2016	2015
Payroll related liabilities	1,304	1,525	1,259	1,488
Dividends payable	1,036	968	1,036	968
Operating taxes payable	195	21	189	18
Other payables and accrued liabilities	26	29	26	29
	2,561	2,543	2,510	2,503

Other payables are non-interest bearing and are normally settled on 15–30 day terms.

16 Revenue

	Group		Company	
	2016	2015	2016	2015
Sales of goods	58,951	43,894	58,951	43,894
Revenue from services	2	6	2	6
	58,953	43,900	58,953	43,900

In 2016 and 2015 sales of goods comprised sales of furniture, which accounted for 99 per cent respectively of total sales, while the rest were sales of raw materials and waste.

The main customer of the Company is IKEA Supply AG. Sales to this customer in 2016 amounted to EUR 58,365 thousand, i.e. 99 per cent of total sales (in 2015 sales amounted to EUR 43,351 thousand, i.e. 99 per cent of total sales). The Company is working with this customer on the basis of short-term agreements since 1998.

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17 Cost of sales

	Group		Company	
	2016	2015	2016	2015
Materials	38,422	28,884	38,422	28,884
Wages, salaries	5,859	4,491	5,715	4,385
Social security	1,800	1,380	1,757	1,348
Depreciation	1,232	1,173	1,232	1,173
Acquired furniture and materials	430	469	430	469
Other production expenses	3,553	2,786	3,802	2,966
	51,296	39,183	51,358	39,225

18 Operating expenses

	Group		Company	
	2016	2015	2016	2015
Transportation and logistics expenses	1,333	720	1,333	720
Wages, salaries	1,100	759	1,067	736
Social security	344	236	334	229
Audit and consultation expenses	284	107	283	106
Waste utilisation expenses	101	54	101	54
Utilities, maintenance and communications	91	61	90	61
Depreciation and amortization	74	73	74	72
Business trips expenses	32	21	32	21
Charity and support expenses	13	1	12	-
Other	522	380	513	375
	3,894	2,412	3,839	2,374

19 Other operating income and expenses

	Group		Company	
	2016	2015	2016	2015
Other operating income				
Rent and utilities income	303	271	305	272
Gain on disposal of property, plant and equipment	2	176	2	176
Other income	42	8	42	8
	347	455	349	456
Other operating expenses				
Direct costs of rent income	(184)	(146)	(184)	(146)
Other expenses	-	-	-	-
	(184)	(146)	(184)	(146)

20 Finance income and finance costs

	Group		Company	
	2016	2015	2016	2015
Finance income				
Interest income	-	1	-	1
	-	1	-	1
Finance costs				
Interest expenses	(78)	(71)	(78)	(71)
Expenses due to currency exchange	(9)	(9)	(9)	(9)
Other Financial and investment expenses	-	(6)	-	(6)
	(87)	(86)	(87)	(86)

21 Income tax

	Group		Company	
	2016	2015	2016	2015
Components of the income tax expense				
Income tax expenses for the reporting year	555	393	555	393
Income tax expenses from dividends paid to natural persons	31	-	31	-
Total current income tax expense	586	393	586	393
Recognition and reversal of temporary differences	10	(24)	10	(24)
Deferred tax expense	10	(24)	10	(24)
Income tax expense carried in profit or loss	596	369	596	369

Deferred income tax asset and liability in 2016 and 2015 was accounted using tax rate of 15%.

In 2016, the Group and the Company implemented the investment project by allocating new property, plant and equipment intended for the increase of output and labour productivity, expansion of the range of goods produced with new products and major change of the manufacturing process. The investment project covered investments of EUR 145 thousand related to the acquisition and installation of new production technological lines intended for the modernisation of existing production technological lines. The Group and the Company reduced taxable profit for 2016 by the investment tax credit of EUR 145 thousand.

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21 Income tax (continued)

Income tax expense disclosed in the statement of profit or loss and other comprehensive income may be reconciled to income tax expense that would arise using an enacted income tax rate applicable to profit before income tax.

	Group			
	2016		2015	
Profit (loss) before tax		3,839		2,529
Tax calculated at a statutory 15% tax rate	15%	576	15%	379
Tax effects of:				
- Expenses not deductible for tax purposes	1%	49	1%	15
- Income not subject to tax	0%	(3)	-	-
- Income tax relief due to investment projects	(1%)	(22)	(1%)	(25)
- Charity expenses deductible twice for tax purposes	0%	(4)	0%	-
Income tax expense carried in profit or loss	16%	596	15%	369

	Company			
	2016		2015	
Profit (loss) before tax		3,834		2,526
Tax calculated at a statutory 15% tax rate	15%	575	15%	379
Tax effects of:				
- Expenses not deductible for tax purposes	1%	50	1%	15
- Income not subject to tax	0%	(3)	-	-
- Income tax relief due to investment projects	(1%)	(22)	(1%)	(25)
- Charity expenses deductible twice for tax purposes	0%	(4)	0%	-
Income tax expense carried in profit or loss	16%	596	15%	369

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

	Group		Company	
	2016	2015	2016	2015
Deferred tax assets	128	140	128	140
Deferred tax liability	(47)	(49)	(47)	(49)
	81	91	81	91

21 Income tax (continued)

The movement in the Group's and Company's deferred tax assets and liabilities (prior to and after offsetting the balances) during the year was as follows:

Group	2014	Credited (debited) to income tax expenses	2015	Credited (debited) to income tax expenses	2016
	Deferred tax assets				
– Write-down of inventories	-	-	-	-	-
– Accrued charges	118	22	140	(12)	128
	<u>118</u>	<u>22</u>	<u>140</u>	<u>(12)</u>	<u>128</u>
Deferred tax liabilities					
– Investment relief	(51)	2	(49)	2	(47)
	<u>(51)</u>	<u>2</u>	<u>(49)</u>	<u>2</u>	<u>(47)</u>
Deferred tax liabilities, net	67	24	91	(10)	81
Company	2014	Credited (debited) to income tax expenses	2015	Credited (debited) to income tax expenses	2016
Deferred tax assets					
– Write-down of inventories	-	-	-	-	-
– Accrued charges	118	22	140	(12)	128
	<u>118</u>	<u>22</u>	<u>140</u>	<u>(12)</u>	<u>128</u>
Deferred tax liabilities					
– Investment relief	(51)	2	(49)	2	(47)
	<u>(51)</u>	<u>2</u>	<u>(49)</u>	<u>2</u>	<u>(47)</u>
Deferred tax liabilities, net	67	24	91	(10)	81

22 Earnings per share

Basic and diluted earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares issued and paid during the year. There are no potential ordinary shares to be issued; therefore, basic and diluted earnings per share are equal.

	Group		Company	
	2016	2015	2016	2015
Net profit attributable to shareholders	3,243	2,160	3,238	2,157
Weighted average number of shares (thousand)	3,886	3,886	3,886	3,886
Basic earnings per share (in EUR)	0.83	0.56	0.83	0.56

There were no changes in the share capital of the Company during 2016 and 2015; therefore, the weighted average number of shares equals the total number of shares.

23 Financial risk management

Financial instruments by category

The financial risk management has been applied to the line items below:

	Group		Company	
	Category – Loans and receivables		Category – Loans and receivables	
	2016	2015	2016	2015
Financial assets				
Trade and other receivables	4,912	6,612	4,896	6,592
Cash and cash equivalents	755	413	714	371
	5,667	7,025	5,610	6,963
	Group		Company	
	Category – Financial liabilities measured at amortised cost		Category – Financial liabilities measured at amortised cost	
	2016	2015	2016	2015
Financial liabilities				
Borrowings	5,770	7,632	5,770	7,632
Obligations under finance leases	26	55	26	55
Trade and other payables	5,786	5,265	5,802	5,268
	11,582	12,952	11,598	12,955

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 their strategic plans. The Group's and the Company's liquidity (total current assets / total current liabilities) and quick ratios ((total current assets – inventories) / total current liabilities) as of 31 August 2016 were 1.07 and 0.53, respectively (the Group's and the Company's liquidity and quick ratio as of 31 August 2015 – 1.03 and 0.56, respectively).

The tables below summarise the maturity profile of the Group's and the Company's financial liabilities as of 31 August 2016 based on contractual undiscounted cash flows (planned payments and interest):

Group	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest bearing loans and borrowings	-	931	6,760	26	-	7,717
Trade and other payables	968	4,297	-	-	-	5,265
Balance as of 31 August 2015	968	5,228	6,760	26	-	12,982
Interest bearing loans and borrowings	-	637	1,881	3,332	-	5,850
Trade and other payables	1,036	4,750	-	-	-	5,786
Balance as of 31 August 2016	1,036	5,387	1,881	3,332	-	11,636

23 Financial risk management (continued)

Liquidity risk (continued)

Company	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest bearing loans and borrowings	-	931	6,760	26	-	7,717
Trade and other payables	968	4,300	-	-	-	5,268
Balance as of 31 August 2015	968	5,231	6,760	26	-	12,985
Interest bearing loans and borrowings	-	637	1,881	3,332	-	5,850
Trade and other payables	1,036	4,766	-	-	-	5,802
Balance as of 31 August 2016	1,036	5,403	1,881	3,332	-	11,652

Credit risk

The Group and the Company have significant concentration of trading counterparties. The main customer of the Group and the Company – IKEA Supply AG – as of 31 August 2016 accounted for over 98% of the total Group's and Company's trade receivables (as of 31 August 2015 over 99%). In addition, the major part of the Company's sales is with this customer (Note 16).

The Group and the Company do not guarantee obligations of other parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset. Consequently, the Management of the Group and the Company considers that its maximum exposure is reflected by the amount of trade receivables recognised at the reporting date.

With respect to trade and other receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payments obligations since receivables balances are monitored on an ongoing basis.

The maximum exposure to credit risk of the Group's and the Company's cash and cash equivalents is equal to the fair value of cash and cash equivalents classified as cash and cash equivalents at the reporting date. The management of the Group and the Company considers that the risk arising from placement of cash and cash equivalents at bank accounts and other short-term financial instruments is not significant, as placements are made only in commercial banks in Lithuania, which have high credit ratings.

Foreign exchange risk

Major currency risks of the Group and the Company occur due to the fact that the Group and the Company borrow foreign currency denominated funds and are involved in imports and exports. The Group's and the Company's policy is to match cash flows arising from highly probable future sales and purchases in each foreign currency. The Group and the Company do not use any financial instruments to manage their exposure to foreign exchange risk other than aiming to borrow in EUR.

Financial assets and liabilities stated in various currencies as of 31 August 2016 were as follows (stated in EUR):

	Group		Company	
	Assets	Liabilities	Assets	Liabilities
EUR	5,667	11,540	5,610	11,556
PLN	-	42	-	42
	5,667	11,582	5,610	11,598

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23 Financial risk management (continued)

Interest rate risk

The Group's and the Company's borrowings comprise borrowings with variable interest rates, related to EURIBOR, which creates an interest rate risk. There were no financial instruments designated to manage the exposure to fluctuation in interest rates outstanding as of 31 August 2016 and 31 August 2015.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Company's profit before tax (through the impact on floating rate borrowings).

	Increase / decrease, %	Effect on profit before tax
2016		
EUR	+1%	(58)
EUR	-0.1%	6
	Increase / decrease, %	Effect on profit before tax
2015		
EUR	+1%	(77)
EUR	-0.1%	8

Fair value of financial assets and liabilities

The Group's and the Company's principal financial assets and liabilities accounted for at amortised cost are trade and other receivables, trade and other payables, long-term and short-term borrowings.

Fair value is defined as the amount at which the assets or services could be exchanged or liability settled between non-related knowledgeable willing parties. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

Trade and other receivables, trade and other payables. In the management's opinion, the carrying amounts of trade and other receivables, trade and other payables and borrowings approximate their fair values, as trade and other receivables, trade and other payables are current, and borrowings are subject to EURIBOR market based variable interest rates.

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

	Group		Company	
	Category – Loans and receivables		Category – Loans and receivables	
	2016	2015	2016	2015
Not overdue trade and other receivables	4,908	6,053	4,892	6,036
Cash at bank that have high* credit ratings	755	413	714	371
	5,663	6,466	5,606	6,407

* Credit rate A provided by Fitch Ratings Agency

The Group and the Company hold cash and make investments only in other short-term investing instruments of commercial banks in Lithuania with high credit ratings.

24 Capital management

The Group's and the Company's capital includes share capital, legal reserve and retained earnings. The primary objective of the capital management is to ensure that the Group and the Company comply with externally imposed capital requirements.

The Group and the Company manage their capital structure and make adjustments to it in the light of changes in economic conditions and the risk characteristics of their activities. 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 of capital management during the year ended 31 August 2016.

The Company is obliged to keep its equity at no less than 50% of its share capital, as imposed by the Law on Companies of the Republic of Lithuania.

The Group and the Company have externally imposed capital requirements from the bank. The following requirements are imposed to secure the repayment of bank borrowings and settlement of finance lease obligations:

- (a) ratio of equity (less amounts receivable from related parties and less loans granted to the Company by related parties) to total assets (less amounts receivable from related parties and less loans granted to the Company by related parties) should not be lower than 0.30;
- (b) ratio of net debt to EBITDA should not be higher than 2.00 for the last 12 months.

The management monitors that the Company is in line with both above mentioned capital requirements. No other capital management instruments are used.

The calculation of banks' covenants is presented below:

	Group		Company	
	2016	2015	2016	2015
Assets	25,064	27,105	25,005	27,049
Receivables from related parties	1	-	1	-
Total assets	25,065	27,105	25,006	27,049
Equity	11,266	11,888	11,242	11,869
Loans granted to the Company by related parties	-	-	-	-
Total equity	11,266	11,888	11,242	11,869
Equity to assets ratio	0.45	0.44	0.45	0.44
	Group		Company	
	2016	2015	2016	2015
Debt	5,796	7,687	5,796	7,687
Cash and cash equivalents	(755)	(413)	(714)	(371)
Net debt	5,041	7,274	5,082	7,316
EBITDA (for the last 12 months)	5,219	5,770	5,213	5,766
Net debt to EBITDA ratio	0.97	1.26	0.97	1.27

As of 31 August 2016 and 31 August 2015, the Group and the Company complied with all external requirements established to secure the repayment of bank borrowings.

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25 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 Company as of 31 August 2016 were: ARI-LUX UAB (the subsidiary), Invalda Privatus Kapitalas AB (ultimate shareholder) and all companies controlled by Invalda Privatus Kapitalas AB (as of 31 August 2015: ARI-LUX UAB (the subsidiary), Invalda Privatus Kapitalas AB (shareholder) and all companies controlled by Invalda Privatus Kapitalas AB).

Transactions of the Group and the Company with related parties during 2016 and 2015 and the balances as of 31 August 2016 and 31 August 2015 were as follows:

(a) Sales and purchases of goods and services and year-end balances arising from these sales/purchases

2016	Purchases	Sales	Receivables	Payables
*ARI-LUX UAB	252	2	-	16
Companies controlled by Invalda Privatus Kapitalas AB	58	14	1	-
	310	16	1	16
<hr/>				
2015	Purchases	Sales	Receivables	Payables
*ARI-LUX UAB	183	1	-	3
Companies controlled by Invalda Privatus Kapitalas AB	45	1,163	-	4
	228	1,164	-	7

*Transactions with the Company; such transactions are eliminated in the Group's consolidated financial statements.

b) Loans to Invalda Privatus Kapitalas AB

	2016	2015
As of 1 September	-	-
Loans advanced during year	-	(900)
Loan repayments received	-	900
Interest charged	-	1
Interest received	-	(1)
As of 31 August	-	-

Remuneration of the management and other payments

The Company's General Director, Head of Finance and Director of the subsidiary are considered to be the key management of the Group.

	Group		Company	
	2016	2015	2016	2015
Wages, salaries	190	160	167	146
Social security	59	50	52	45
	249	210	219	191

No salary is paid to the Company's board and Audit Committee members.

The management of the Group and the Company did not receive any loans, guarantees; no other payments or property transfers were made or accrued.

26 Operating leases

Operating lease commitments

The Group and the Company have signed lease contracts for vehicles and premises. The lease requirements do not provide any restrictions for additional debts or additional non-current lease for the Group's or the Company's activity which is related with dividends.

The Group's and the Company's lease expenses related with the lease of vehicles and premises amounted to EUR 803 thousand in 2016 (2015 – EUR 382 thousand).

The future lease payments under operating lease agreements are as follows:

	Group		Company	
	2016	2015	2016	2015
Not later than 1 year				
Lease of vehicles	126	14	126	14
Lease of premises	567	593	567	593
	693	607	693	607
Later than 1 year and no later than 5 years				
Lease of vehicles	371	18	371	18
Lease of premises	1,048	811	1,048	811
	1,419	829	1,419	829
	2,112	1,436	2,112	1,436

Operating lease receivable

The future minimum lease payments under non-cancellable leases were receivable as follows:

	Group		Company	
	2016	2015	2016	2015
Not later than 1 year	-	72	-	72
Later than 1 year and no later than 5 years	-	-	-	-
Later than five years	-	-	-	-
	-	72	-	72



The Group and The Company had no non-cancellable leases as of 31 August 2016.

27 Contingent liabilities

As of 31 August 2016, the Group and the Company had no contingent liabilities.

28 Events after the end of the reporting period

There were no significant events at the Group and the Company after the end of the reporting period.

General Director	Rimantas Vaitkus		11 November 2016
Head of Finance	Jonas Krutinis		11 November 2016