



UTENOS TRIKOTAŽAS AB

**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS,
CONSOLIDATED ANNUAL REPORT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania
CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

CONTENTS

Independent auditor's report	.....	3 - 6
Financial statements:		
Statements of financial position	.....	7 - 8
Statements of comprehensive income	.....	9 - 10
Statements of changes in equity	.....	11 - 12
Statements of cash flows	.....	13 - 14
Notes to the financial statements	.....	15 - 67
Annual report:		
Consolidated annual report	.....	68 - 86
Appendix - Disclosure of Compliance with the Governance Code for the year ended 31 December 2016		87 - 102



UAB „Ernst & Young Baltic“
Subačiaus g. 7
LT-01302 Vilnius
Lietuva
Tel.: (8 5) 274 2200
Faks.: (8 5) 274 2333
Vilnius@lt.ey.com
www.ey.com

Ernst & Young Baltic UAB
Subačiaus St. 7
LT-01302 Vilnius
Lithuania
Tel.: +370 5 274 2200
Fax: +370 5 274 2333
Vilnius@lt.ey.com
www.ey.com

Juridinio asmens kodas 110878442
PVM mokėtojo kodas LT108784411
Juridinių asmenų registras

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Utenos trikotazas AB

Opinion

We have audited the financial statements of Utenos trikotazas AB (the Company) and the consolidated financial statements of AB Utenos trikotažas and its subsidiaries (hereinafter the Group), which comprise the statements of financial position as at 31 December 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2016 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the requirements of the Law on Audit of the Republic of Lithuania that are relevant to the audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Recoverability of investment, loans granted and trade receivables from the subsidiary

Investment and loans granted to the subsidiary Mrija PAT MTF and receivables from the subsidiary before impairment allowance amount to EUR 6,721 thousand and after the impairment allowance to EUR 2,140 thousand in the statement of financial position of the Company as of 31 December 2016. The Company's management performed an impairment test of these assets based on the value in use estimation as disclosed in Note 4 to the financial statements. This annual impairment test was significant to our audit as it involves management judgment in making the assumptions related to cash flows forecasts used in the value in use estimations as disclosed in Note 4. Furthermore, the investments, loans granted and related trade receivables after impairment allowance represent more than 14% of the total assets of the Company as of 31 December 2016.

We gained an understanding of how the management evaluate recoverability of investments, loans granted and trade receivables. Our audit procedures included, amongst others, evaluating and challenging the assumptions and methodologies used by the Company. We involved a valuation specialist to assist us with the assessment of the discount rate used by the management in the impairment test. We considered other significant assumptions used by the management in the estimation of cash flows forecasts by comparing revenues and costs to historical performance levels and growth rates. We assessed whether future cash flows, amongst others, were based on the strategic and business plans and other relevant developments in the business of the cash generating unit (hereinafter - CGU). We tested the sensitivity in the available headroom of the CGU considering if a possible change in assumptions could cause the carrying amount to exceed its recoverable amount and also assessed the historical accuracy of management's estimates. Finally, we evaluated the adequacy of the Company's disclosures included in Note 4 about the assumptions used in the impairment test and the outcome of the test.

Determination of the carrying value of the buildings

As of 31 December 2016 the Company and the Group had buildings amounting to EUR 3,086 thousand and EUR 4,326 thousand, respectively, reported in the statements of financial position. Buildings are stated at revalued amounts less accumulated depreciation and impairment losses. The latest valuation by professional appraisers was performed on 31 March 2013. As of 31 December 2016, the Management of the Company and the Group considered if there are any indications that the fair value of the revalued assets might differ materially from their carrying amounts, which would require an updated revaluation of the buildings as of 31 December 2016 and concluded that there are no such indications as disclosed in Note 4 of the accompanying financial statements. Since consideration of material difference between the fair value of the revalued assets and their carrying amounts involves significant management judgment, we considered the matter to be significant to our audit.

We gained an understanding of how management determines carrying value of the buildings. We have assessed assumptions used by the management of the Company and the Group, which are primarily based on real estate market analysis, performed by the third party appraisers. We have considered independence and professional qualification of third party appraisers. We have additionally compared assumptions used by the management of the Company and the Group with the publically available information on real estate market situation and developments. We have assessed the adequacy of the Company's and the Group's disclosures included in Note 4.

Inventory net realizable value and provision for obsolescence

Inventories of the Company and the Group amount to EUR 4,439 thousand and EUR 4,866 thousand respectively before impairment allowance and to EUR 4,113 thousand and EUR 4,216 thousand respectively after impairment allowance in the statements of financial position as of 31 December 2016. It is a material balance for the Company and the Group comprising 27 % of the Company's and the Group's total assets, and requires management judgment in assessing if this is lower than the net realizable value at year-end. There is also management judgment required in determining inventory obsolescence allowance.

We gained an understanding of how management evaluates inventory net realizable value and allowance for obsolescence. We have reviewed calculations of inventory net realizable value, which was performed by the Company and the Group based on review of subsequent sales after the year-end. We have also analyzed obsolescence data and rates applied in calculations of impairment allowance and compared the inventory obsolescence allowance to the Company's and the Group's historic figures. Finally, we have evaluated the adequacy of the Company's and the Group's disclosures included in Note 4 and 10.

Other Information Included in the Company's Annual Report

Other information consists of the information included in the Company's 2016 Consolidated Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit 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.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Asta Štreimikienė.

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

A handwritten signature in blue ink, appearing to read 'A. Štreimikienė', followed by a horizontal line.

Asta Štreimikienė
Auditor's licence
No. 000382

27 March 2017

Statements of financial position

	Notes	Group		Company	
		31 December		31 December	
		2016	2015	2016	2015
ASSETS					
Non-current assets					
Intangible assets	6	744	752	75	29
Property, plant and equipment	7	7 046	7 460	5 379	5 659
Investment property	8	109	111	109	111
Investments into subsidiaries	9	-	-	1 499	1 499
Trade and other receivables		1	1	-	-
Receivables from subsidiaries	25	-	-	2 140	2 356
Deferred income tax asset	23	58	50	-	-
		7 958	8 374	9 202	9 654
Current assets					
Inventories	10	4 216	3 687	4 113	3 592
Trade receivables	11	1 239	1 109	704	827
Other current assets	12	365	305	226	129
Current financial assets	12	600	-	600	-
Cash and cash equivalents	13	1 230	1 079	598	265
		7 650	6 180	6 241	4 813
Total assets		15 608	14 554	15 443	14 467

Statements of financial position (cont'd)

	Notes	Group		Company	
		31 December 2016	2015	31 December 2016	2015
EQUITY AND LIABILITIES					
Equity attributable to the shareholders of the Company					
Share capital	14	2 756	2 756	2 756	2 756
Revaluation surplus	15	3 173	3 241	1 751	1 793
Legal reserve	15	574	574	574	574
Reserve for acquisition of own shares	15	269	269	-	-
Foreign currency translation reserve	15	119	113	-	-
Cash flow hedge reserve	15	(43)	(42)	(43)	(42)
Accumulated retained earnings/ (losses)		(41)	(938)	355	(70)
		6 807	5 973	5 393	5 011
Non-controlling interest		466	427	-	-
Total equity		7 273	6 400	5 393	5 011
LIABILITIES					
Non-current liabilities					
Borrowings	16	3 046	3 617	3 046	3 617
Borrowings from subsidiaries	16, 25	-	-	2 422	1 922
Deferred income tax liabilities	23	407	351	270	193
Non-current portion of derivative financial instruments	15	28	28	28	28
Provisions for employee benefits	17	310	226	271	205
		3 791	4 222	6 037	5 965
Current liabilities					
Current portion of non-current borrowings	16	738	691	738	691
Current portion of derivative financial instruments	15	24	23	24	23
Trade payables		1 461	1 051	1 430	1 008
Payables to other related parties and subsidiaries	25	129	518	240	524
Income tax payable		22	10	7	4
Accrued expenses and other current liabilities	18	2 170	1 639	1 574	1 241
		4 544	3 932	4 013	3 491
Total liabilities		8 335	8 154	10 050	9 456
Total equity and liabilities		15 608	14 554	15 443	14 467

The notes on pages 15 to 67 form an integral part of these financial statements.

These financial statements were approved by General Manager and Financial Officer on 27 of March 2017.

General Manager Algirdas Šabūnas
 Chief Accountant Reda Kučinskienė

Statements of comprehensive income

	Notes	Group		Company	
		Year ended 31 December		Year ended 31 December	
		2016	2015	2016	2015
Sales	5	22 790	18 922	19 622	16 014
Cost of sales	19	(18 020)	(15 528)	(16 116)	(13 458)
Gross profit		4 770	3 394	3 506	2 556
Selling expenses	20	(1 534)	(1 341)	(1 439)	(1 238)
General and administrative expenses	20	(1 960)	(2 010)	(1 365)	(1 448)
Other operating income	21	163	266	83	70
Other operating expenses	21	(22)	(43)	(12)	(28)
Operating profit (losses)		1 417	266	773	(88)
Finance income	22	484	577	84	109
Finance costs	22	(681)	(1 101)	(183)	(200)
Profit (losses) before tax		1 220	(258)	674	(179)
Income tax	23	(167)	(3)	(105)	21
Net profit (losses)		1 053	(261)	569	(158)
Net profit (losses) attributable to:					
Equity holders of the Company		1 015	(268)	569	(158)
Non-controlling interest	25	38	7	-	-
		1 053	(261)	569	(158)
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Foreign currency translation gain (loss)		7	(61)	-	-
Change in value of derivative financial instruments		(1)	(42)	(1)	(42)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		6	(103)	(1)	(42)

Continued on the next page

Statements of comprehensive income (cont'd)

	Notes	Group		Company	
		Year ended 31 December		Year ended 31 December	
		2016	2015	2016	2015
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods					
Actuarial gains (losses) from the pensions reserve	17	(186)	104	(186)	104
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods		(186)	104	(186)	104
Other comprehensive income (loss) for the year, net of tax		(180)	1	(187)	62
Total comprehensive income (loss) for the year, net of tax		873	(260)	382	(96)
Total comprehensive income (loss) attributable to:					
Equity holders of the Company		834	(268)	382	(96)
Non-controlling interest		39	8	-	-
		873	(260)	382	(96)
<u>Basic earnings per share</u>	24	0,11	(0,03)	-	-

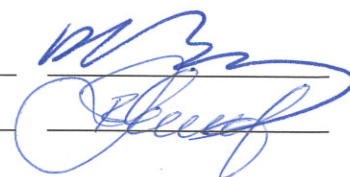
The notes on pages 15 to 67 form an integral part of these financial statements.

General Manager

Algirdas Šabūnas

Chief Accountant

Reda Kučinskienė



Statements of changes in equity

Group	Equity attributable to the equity holders of the Company										
	Notes	Share capital	Foreign currency translation reserve	Other reserves	Reserve for acquisition of own shares	Legal reserve	Re-valuation surplus	Accumulated retained earnings/(losses)	Total	Non-controlling interest	Total equity
Balance as of 31 December 2014		1 448	175	-	-	574	3 318	(579)	4 936	352	5 288
Net profit (loss) for the year		-	-	-	-	-	-	(268)	(268)	7	(261)
Other comprehensive income		-	(62)	(42)	-	-	-	104	-	1	1
Total comprehensive income (loss)		-	(62)	(42)	-	-	-	(164)	(268)	8	(260)
Effect of share capital conversion to euro		3	-	-	-	-	-	(3)	-	-	-
Transfer of revaluation surplus to retained earnings		-	-	-	-	-	(77)	77	-	-	-
Other increase in non-controlling interest		-	-	-	-	-	-	-	-	67	67
Reserve for acquisition of own shares	15	-	-	-	269	-	-	(269)	-	-	-
Increase in share capital	2.14,3.2	1 305	-	-	-	-	-	-	1 305	-	1 305
Balance as of 31 December 2015		2 756	113	(42)	269	574	3 241	(938)	5 973	427	6 400
Net profit (loss) for the year		-	-	-	-	-	-	1 015	1 015	38	1 053
Other comprehensive income		-	6	(1)	-	-	-	(186)	(181)	1	(180)
Total comprehensive income (loss)		-	6	(1)	-	-	-	829	834	39	873
Transfer of revaluation surplus to retained earnings		-	-	-	-	-	(68)	68	-	-	-
Balance as of 31 December 2016		2 756	119	(43)	269	574	3 173	(41)	6 807	466	7 273

Statements of changes in equity (cont'd)

Company	Notes	Share capital	Legal reserve	Other reserves	Revaluation surplus	Accumulated retained earnings/ (losses)	Total equity
Balance as of 31 December 2014		1 448	574	-	1 855	(75)	3 802
Net loss for the year		-	-	-	-	(158)	(158)
Other comprehensive income (loss)		-	-	(42)	-	104	62
Total comprehensive income (loss)		-	-	(42)	-	(54)	(96)
Effect of share capital conversion to euro		3	-	-	-	(3)	-
Transfer of revaluation surplus to retained earnings		-	-	-	(62)	62	-
Increase in share capital	2.14, 3.2	1 305	-	-	-	-	1 305
Balance as of 31 December 2015		2 756	574	(42)	1 793	(70)	5 011
Net profit (loss) for the year		-	-	-	-	569	569
Other comprehensive income (loss)		-	-	(1)	-	(186)	(187)
Total comprehensive income (loss)		-	-	(1)	-	383	382
Transfer of revaluation surplus to retained earnings		-	-	-	(42)	42	-
Balance as of 31 December 2016		2 756	574	(43)	1 751	355	5 393

The notes on pages 15 to 67 form an integral part of these financial statements.

General Manager

Algirdas Šabūnas

Chief Accountant

Reda Kučinskienė

Statements of cash flows

	Notes	Group Year ended 31 December		Company Year ended 31 December	
		2016	2015	2016	2015
Cash flows from operating activities					
Net profit (loss) for the year		1 053	(261)	569	(158)
Adjustments for non-cash items:					
Depreciation and amortization	7	788	767	587	586
(Gain) on disposal of property, plant and equipment and investment property	21	(22)	(116)	(21)	(5)
Impairment and write-off of inventories	10,20	19	(7)	39	(21)
Impairment and write-off of accounts receivable		(6)	-	-	-
Provisions for employees benefits	17	(88)	166	(106)	155
Interest expense, net of interest income	22	118	118	101	99
Income tax (income) expense	23	167	3	105	(21)
Changes in working capital:					
(Increase) decrease in inventories		(523)	(242)	(531)	(348)
(Increase) decrease in trade receivables		(125)	197	123	190
Decrease in receivables from subsidiaries		-	-	216	394
(Increase) decrease in other receivables and other current assets		(60)	(89)	(98)	17
Increase (decrease) in trade and other accounts payable		603	592	439	(100)
Increase (decrease) in taxes payable and other current liabilities		9	(47)	20	183
(Increase) in current financial assets	12	(600)	-	(600)	-
Income tax (paid)		(86)	(11)	(26)	(8)
Net cash generated from operating activities		1 247	1 070	817	963
Cash flows from investing activities					
Acquisition of property, plant and equipment	7	(412)	(800)	(321)	(670)
Acquisition of intangible assets	6	(65)	(23)	(60)	(23)
Proceeds from sale of property, plant and equipment		22	255	21	33
Interest received	22	-	-	60	60
Net cash flows generated from (to) investing activities		(455)	(568)	(300)	(600)

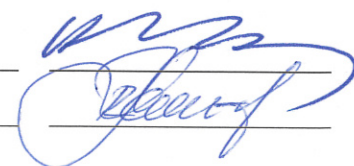
Statements of cash flows (cont'd)

	Notes	Group		Company	
		Year ended 31 December		Year ended 31 December	
		2016	2015	2016	2015
Cash flows from financing activities					
Proceeds from borrowings from subsidiaries		-	-	500	102
Proceeds from borrowings		201	3 265	201	3 265
Repayment of borrowings and financial lease payments		(724)	(489)	(724)	(489)
Interest paid	22	(118)	(118)	(161)	(158)
Repurchase of bonds	3.2,17	-	(3 045)	-	(3 045)
Derivative financial instruments		-	9	-	9
Net cash flows (to) financing activities		(641)	(378)	(184)	(316)
Net increase in cash and cash equivalents		151	124	333	47
Cash and cash equivalents at the beginning of the year		1 079	955	265	218
Cash and cash equivalents at the end of the year		1 230	1 079	598	265
Non- cash financial and investing activity					
Increase in share capital by converting bonds	3.2	-	1 305	-	1 305

The notes on pages 15 to 67 form an integral part of these financial statements.

General Manager _____ Algirdas Šabūnas _____

Chief Accountant _____ Reda Kučinskienė _____



Notes to the financial statements

1. General information

Utenos Trikotažas AB (hereinafter "the Company") is a joint-stock company registered in the Republic of Lithuania on 6 December 1994. The address of its registered office is as follows:

Basanavičiaus Str. 122,
 Utena,
 Lithuania

The Company is engaged in production of knit-wear and textile articles.

The shares of Utenos Trikotažas AB are listed on the Official List of the NASDAQ OMX Vilnius Stock Exchange.

As at 31 December 2016 and 2015 the shareholders of the Company were as follows:

	2016		2015	
	Number of shares held	Interest held (%)	Number of shares held	Interest held (%)
UAB Koncernas SBA	7 294	76.76	5 874	61,81
Algirdas Šabūnas	950	10.00	-	-
Investment Fund "East Capital Asset"	527	5.55	527	5.55
Investment Fund "Amber Trust"	-	-	1 347	14.18
Investment Fund "KJK Fund"	-	-	572	6.02
Other shareholders	732	7.69	1 183	12.44
	9 503	100.00	9 503	100.00

In 2016 the average number of employees of the Company was 777 (2015 – 776).

The Group (hereinafter "the Group") consists of the Company and the following subsidiaries:

	Registered address	Group's share (%) as at 31 December 2016 and 2015	Activity
Šatrija AB	Vilniaus Str. 5, Raseiniai	89.78	Sewing of clothes
Gotija UAB	Laisvės Str. 33, Kaunas	90.50	Retail trade
PAT MTF Mrija	Motroso Str. 13, Muk-ačiov, Ukraine	98.95	Production of knitted articles

In 2016 the average number of employees of the Group was 1 156 (2015 – 1 148).

The Company's management authorised these financial statements on 27 March 2017. The shareholders of the Company have a statutory right to either approve these financial statements or not approve them and require the management to prepare a new set of financial statements.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

These financial statements have been prepared on a historical cost basis, except for buildings that have been measured at revalued amounts and derivatives accounted at fair value.

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

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group/Company as of 1 January 2016:

- **Amendments to IAS 1 *Presentation of financial statements: Disclosure Initiative***
The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The amendments are effective for annual periods beginning on or after 1 January 2016. The implementation of this amendment had no impact on the financial statements of the Group and the Company.
- **Amendments to IAS 16 *Property, Plant & Equipment* and IAS 38 *Intangible assets: Clarification of Acceptable Methods of Depreciation and Amortization***
The amendment is effective for annual periods beginning on or after 1 January 2016 and provides additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. It is clarified that a revenue-based method is not considered to be an appropriate manifestation of consumption. The implementation of these amendments had no impact on the financial statements of the Group and the Company, since the Group and the Company do not use revenue-based methods of depreciation and amortization.
- **Amendments to IAS 19 *Employee Benefits***
The amendment is effective for annual periods beginning on or after 1 February 2015. The amendment addresses accounting for the employee contributions to a defined benefit plan. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. Since employees of the Group and the Company make no such contributions, the implementation of this amendment had no impact on the financial statements of the Group and the Company.
- **Amendments to IAS 27 *Equity method in separate financial statements***
The amendment is effective for annual periods beginning on or after 1 January 2016. The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The implementation of this amendment had no impact on the financial statements of the Group and the Company.
- **Amendment to IFRS 11 *Joint arrangements: Accounting for Acquisitions of Interests in Joint Operations***
The amendment is effective for annual periods beginning on or after 1 January 2016. IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The Group and the Company had no transactions in scope of this amendment. The implementation of this amendment had no impact on the financial statements of the Group and the Company.

2.1 Basis of preparation (cont'd)

The IASB has issued the **Annual Improvements to IFRSs 2010 – 2012 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 February 2015. None of these amendments had an effect on the Group and the Company's financial statements.

- IFRS 2 *Share-based Payment*;
- IFRS 3 *Business Combinations*;
- IFRS 8 *Operating Segments*;
- IFRS 13 *Fair value Measurement*;
- IAS 16 *Property, Plant and Equipment*;
- IAS 24 *Related Party Disclosures*;
- IAS 38 *Intangible Assets*.

The IASB has issued the **Annual Improvements to IFRSs 2012 – 2014 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016. None of these amendments had an effect on the Group and the Company's financial statements.

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operation*;
- IFRS 7 *Financial Instruments: Disclosures*;
- IAS 19 *Employee Benefits*;
- IAS 34 *Interim Financial Reporting*.

Standards issued but not yet effective

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

IFRS 9 *Financial Instruments* (effective for financial years beginning on or after 1 January 2018)

IFRS 9 replaces IAS 39 and introduces new requirements for classification and measurement, impairment and hedge accounting. Based on preliminary assessment made by the Management, implementation of the standard is expected to have limited or no impact because the Group and the Company has only the type of financial instruments for which classification and measurement is not expected to change, mainly loans granted, trade receivables and payables and bank loans taken. Since majority of the sales are made to market price, and considering that historically there have been very rare cases of impairments of receivables transferring from incurred credit loss model to expected credit loss model is considered to have limited or no impact to the Company's financial statements. More detailed assessment will be made in 2017.

IFRS 15 *Revenue from Contracts with Customers* (effective for financial years beginning on or after 1 January 2018)

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The Group and the Company plans to adopt the standard for the financial year beginning as of 1 January 2018 retrospectively, i.e. the comparable period will be presented in accordance with IFRS 15. Currently, it is expected that changes in the total amount of revenue to be recognized for a customer contract, as well as timing of revenue recognition, will be minimal. Detailed analysis on implementation of the standard will be made in 2017.

IFRS 15: *Revenue from Contracts with Customers (Clarifications)* (effective for annual periods beginning on or after 1 January 2018, once endorsed by the EU).

The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either applies IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. Detailed analysis on implementation of IFRS 15 will be made in 2017.

2.1 Basis of preparation (cont'd)

IFRS 16 Leases (effective for financial years beginning on or after 1 January 2019, once endorsed by the EU)

IFRS 16 replaces IAS 17 and specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting is substantially unchanged. The Company will adopt IFRS 16 for the financial year beginning as of 1 January 2019, once adopted by the EU, and has preliminarily assessed that the impact will be minimal, as the Group and the Company do not have significant lease agreements.

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative (effective for financial years beginning on or after 1 January 2017, once endorsed by the EU)

The amendments improve information provided to users of financial statements about an entity's financing activities. Entities are required to disclose changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, for example, by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. The implementation of these amendments will not have any impact on the financial position or performance of the Group and the Company but may result in changes in disclosures.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses (effective for financial years beginning on or after 1 January 2017, once endorsed by the EU)

The amendments clarify how to account for deferred tax assets for unrealized losses on debt instruments measured at fair value. The Group and the Company have not yet evaluated the impact of the implementation of these amendments.

IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments) (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)

The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The implementation of these amendments will not have any impact on the financial position or performance of the Group and the Company, as the Group and the Company do not have share based payment transactions.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.)

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business and partial gain or loss is recognised when a transaction involves assets that do not constitute a business. The Group and the Company have not yet evaluated the impact of the implementation of these amendments.

Amendments to IAS 40: Transfers to Investment Property (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)

The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The Group and the Company have not yet evaluated the impact of the implementation of these amendments.

2.1 Basis of preparation (cont'd)

IFRIC INTERPETATION 22: Foreign Currency Transactions and Advance Consideration (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)

The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The Group and the Company have not yet evaluated the impact of the implementation of these amendments.

The **IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2017 for IFRS 12 Disclosure of Interests in Other Entities and on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. These annual improvements have not yet been endorsed by the EU. The Group and the Company have not yet evaluated the impact of the implementation of these amendments.

- IFRS 1 First-time Adoption of International Financial Reporting Standards: This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
- IAS 28 Investments in Associates and Joint Ventures: The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- IFRS 12 Disclosure of Interests in Other Entities: The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

The Group and the Company plan to adopt the above mentioned standards and interpretations on their effectiveness date provided they are endorsed by the EU.

2.2 Business combinations and consolidation

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value at the acquisition date and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

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

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

2.2 Business combinations and consolidation (cont'd)

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

In 2016 and 2015 there were no significant business combinations.

The consolidated financial statements of the Group include AB Utenos trikotažas and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year, using consistent accounting policies.

Subsidiaries are all investees where the Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee and
- The ability to use its power over the investee to affect its returns.

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

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

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

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

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

2.3 Segment reporting

Operating segments are reported in a manner consistent with the Group's 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.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates (hereinafter 'the functional currency'). These financial statements are presented in the euro (EUR), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges attributable to exchange differences on those monetary items are also recorded in OCI.

(c) Group companies

The functional currency of the Group Companies is EUR, except for PAT MTF Mrija, which operates in Ukraine and its functional currency is UAH.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);
- (iii) all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in other comprehensive income are recycled to profit and loss as part of the gain or loss on sale.

2.5 Derivative financial instruments

The Group and the Company engage in swap contracts for interest rate risk management purposes. Derivative financial instruments are initially recognized at fair value. Subsequent to initial recognition and measurement, outstanding swaps are carried in the statement of financial position at the fair value. Fair value is derived from using the discounted cash flow method which is based on directly observable inputs (level 2 in fair value hierarchy). The estimated fair values of these contracts are reported on a gross basis as financial assets for instruments having a positive fair value, and financial liabilities for instruments with a negative fair value.

Gain or loss from changes in the fair value of outstanding forward contracts, swaps and other financial instruments, which are not classified as hedging instruments, are recognized in the statement of comprehensive income as they arise.

2.6 Hedge accounting

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

In relation to cash flow hedges, which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized initially in other comprehensive income and the ineffective portion is recognized in the statement of comprehensive income (profit or loss).

The gains or losses on effective cash flow hedges recognized initially in equity are either transferred to the statement of comprehensive income (profit or loss) in the period in which the hedged transaction impacts the statement of comprehensive income or included in the initial measurement of the cost of the related asset or liability.

For hedges, which do not qualify for hedge accounting, any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the statement of comprehensive income (profit or loss) for the period.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognized in equity remains in equity until the forecasted transaction occurs. Where the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to the statement of comprehensive income (profit or loss).

Group and the Company have entered into interest swap agreement with a purpose to hedge itself against a possible fluctuation/increase of EURIBOR on the loan taken from a bank (Note 16).

2.7 Intangible assets

(a) Goodwill

After initial recognition (Note 2.2), goodwill is measured at cost less any accumulated impairment losses. Goodwill is included in intangible assets in the statement of financial position. Goodwill is tested annually for impairment (Note 2.10). Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their estimated useful lives (3 to 5 years).

Computer software development costs recognised as assets are amortised over their estimated useful lives (2 to 5 years).

2.8 Property, plant and equipment

Buildings are stated at revalued amounts less accumulated depreciation and impairment losses.

Any increase in the value of buildings is recorded in the revaluation surplus, except for the cases and only at the amount recovering the revaluation decrease of the same asset that was previously recognised as expenses. In this case it is recognised as income. Any decrease is first set off against increase in the value of the same asset from the previous valuation, and only the remaining difference is recognised as expenses. At write - off or depreciation of revalued assets, the respective part of the revaluation surplus is transferred from the revaluation surplus directly to the retained earnings.

The remaining property, plant and equipment is carried at historical cost, less subsequent accumulated depreciation and impairment losses. The initial cost of property, plant and equipment comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit and loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	10 – 80 years
Structures	15 – 25 years
Motor vehicles	4 – 7 years
Machinery	5 – 15 years
Other property, plant and equipment	2 – 20 years

Land is not depreciated.

The assets' residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at each reporting date, ensuring that they are consistent with the expected pattern of economic benefits from items in property, plant and equipment.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 2.10). Impairment of property, plant and equipment as well as reversals of impairment during the year are included into operating expenses in the profit and loss.

Borrowing costs incurred in relation to acquisition of qualifying assets are capitalized. Other borrowing costs are expensed in profit and loss.

Construction in progress is transferred to appropriate groups of property, plant and equipment when it is completed and available for its intended use.

When property is retired or otherwise disposed, the cost and related depreciation are removed from the financial statements and any related gains or losses are determined by comparing proceeds with carrying amount and are included in operating profit.

2.9 Investment property

Property held for long-term rental yields or capital appreciation or both and which is not occupied by the Company and the Group is classified as investment property. Investment property comprises freehold land and buildings.

Investment property is stated at historical cost, less accumulated depreciation and impairment losses. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit and loss during the financial period in which they are incurred.

Land is not depreciated. Buildings are depreciated over their expected useful life of 40 to 70 years using the straight-line method to write off the cost of each asset to its residual value. Depreciation of investment property is included into other operating expenses caption in profit or loss.

Where the carrying amount of an asset is higher than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 2.10). Impairment of investment property as well as reversals for the year are included into general and administrative expenses in the profit and loss.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in operating profit.

Transfers to, or from, investment property are made when and only when, there is an evidence of a change in use.

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses on goodwill are not reversed.

2.11 Financial assets

The Group's and the Company's financial assets comprise trade and other receivables, loans granted and investments into subsidiaries.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets.

Loans and receivables are carried at amortised cost using the effective interest method. The Company and the Group assess at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade and other amounts receivables is described in Note 4.

(b) Investments in subsidiaries

The Company's investments in subsidiaries are stated at cost less impairment in separate financial statements. An impairment loss is recognised for the amount by which the investment's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the investment's fair value less costs to sell and value in use. Amounts receivable from subsidiary are tested for impairment jointly with investments into the subsidiary.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related indirect production overheads (based on normal operating capacity), but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.13 Cash and cash equivalents

Cash and cash equivalents are carried at nominal value.

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

2.14 Share capital

(a) Ordinary shares

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

2.14 Share capital (cont'd)

(b) Treasury shares

Where the Company or its subsidiaries purchase the Company's equity share capital, the consideration paid including any attributed incremental external costs is deducted from shareholders' equity as treasury shares until they are sold, reissued, or cancelled. No gain or loss is recognised in profit or loss on the sale, issuance, or cancellation of treasury shares. Where such shares are subsequently sold or reissued, any consideration received is presented in the consolidated financial statements as a change in shareholders' equity.

2.15 Reserves

(a) Foreign currency translation reserve

The foreign currency translation reserve is used for translation differences arising on consolidation of financial statements of foreign subsidiaries. Exchange differences are classified as equity in the consolidated financial statements until disposal of the investment. Upon disposal of the corresponding assets, the accumulated amount of translation reserve is recognised as income or expenses in the same period when the gain or loss on disposal is recognised.

(b) Other reserves

Other reserves are established upon the decision of annual general meeting of shareholders on profit appropriation. These reserves can be used only for the purposes approved by annual general meeting of shareholders.

Legal reserve is included into other reserves. Legal reserve is compulsory under the Lithuanian regulatory legislation. Annual transfers of 5 per cent of net result are required until the reserve reaches 10 per cent of share capital. The legal reserve cannot be used for payment of dividends and it is established to cover future losses only.

(c) Reserve for acquisition of treasury shares

This reserve is maintained as long as the Company and the Group is involved in acquisition/ disposal of its treasury shares. This reserve is compulsory under the Lithuanian regulatory legislation and should not be lower than the nominal value of treasury shares acquired.

2.16 Trade and other payables

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

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit and loss over the period of the borrowings using the effective interest method (except for the capitalised part – Note 2.8).

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

2.18 Derecognition of financial assets and liabilities

Financial assets

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

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

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

Financial liabilities

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

2.19 Income tax

(a) Current tax

The Group companies are taxed individually irrespective of the overall results of the Group.

Income tax expense reported in these financial statements is based on the calculation made by the management in accordance with tax legislation of the Republic of Lithuania and the Republic of Ukraine.

Profit for the year 2016 of the Group's subsidiaries that operate in Lithuania is taxable at a rate of 15 per cent (2015: 15 per cent), corporate income tax rate in Ukraine is 18 per cent (2015 -18 per cent).

In accordance with tax legislation of the Republic of Lithuania, starting from 1 January 2008 taxable losses, except for losses related to transfer of securities and/ or financial instruments may be carried forward for an unlimited period. Starting from 1 January 2014 the tax loss carry forward that is deducted cannot exceed 70 per cent of the taxable profit of the current financial year. 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.

In accordance with tax legislation of the Republic of Ukraine, starting from 2012 the tax loss carry forward that is deducted cannot exceed 25 per cent of the taxable profit of the current financial year.

b) Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

2.19 Income tax (cont'd)

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.20 Leases

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

(a) Finance lease - where the Company or the Group is the lessee

Leases of property, plant and equipment where the Company or the Group has 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 present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance 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 is depreciated over the shorter of the asset's useful life and the lease term.

b) Operating lease - where the Company or the Group is the lessee or the lessor

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 and loss on a straight-line basis over the period of the lease.

Payments received under operating leases (net of any incentives given to the lessee) are credited to profit and loss on a straight-line basis over the period of the lease. Properties (land and buildings) leased out under operating leases are included in investment property in the statement of financial position (Note 2.9).

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

(b) Bonus plans

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

2.21 Employee benefits (cont'd)

(c) Non-current employee benefits

According to the requirements of the Lithuanian Labour Code, each employee leaving the Company at the age of retirement is entitled to a one-off payment amounting to two-month salary.

Current year cost of employee benefits is recognised as incurred in the statement of comprehensive income. The past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. Any gains or losses appearing as a result of curtailment and/or settlement are recognised in the statement of comprehensive income as incurred.

Employee benefit obligations are calculated based on actuarial assumptions, using the projected unit credit method. Remeasurements, comprising of actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Obligation is recognised in the statement of financial position and reflects the present value of these benefits on the preparation date of the statement of financial position. Present value of the non-current obligation to employees is determined by discounting estimated future cash flows using the discount rate which reflects the interest rate of the Government bonds of the same currency and similar maturity as the employment benefits.

2.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's and the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

(a) Sales of goods

Revenue from sales of goods is recognised only when substantially all risks and benefits arising from ownership of goods are transferred to the customer and amount of revenue can be estimated reliably.

(b) Sewing services

Revenue from sales of sewing services is recognized when service is provided. At the year-end revenues from customer specific sewing orders in progress are recognized by the reference to the stage of completion.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company or the Group reduces 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 loans is recognised using the original effective interest rate.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

(e) Rental income

Payments received under operating leases (net of any incentives given to the lessee) are credited to profit and loss on a straight-line basis over the period of the lease (Note 2.20).

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's and the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.24 Earnings (losses) per share

Basic earnings (losses) per share are calculated by dividing net profit (losses) attributed to the equity holders of the Company from average weighted number of ordinary registered shares in issue, excluding ordinary registered shares purchased by the Group and held as treasury shares.

2.25 Non-current assets held for sale

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

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

2.26 Subsequent events

Post-balance sheet events that provide additional information about the Group's and the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

2.27 Current versus non-current classification

The Group and the Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group and the Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania
NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts are in EUR thousand unless otherwise stated)

3. Financial risk management

3.1 Financial risk factors

The Group's and the Company's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's and the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of the financial performance of the Group and the Company. Risk management is carried out by the Group's Board and management.

Financial instruments by classes

	Group		Company	
	31 December		31 December	
Financial assets reported in the statements of financial position	2016	2015	2016	2015
Borrowings and receivables				
Non-current amounts receivable from subsidiaries except for prepayments	-	-	1 426	1 353
Non-current trade and other receivables	1	1	-	-
Trade receivables	1 239	1 109	704	827
Other current financial assets (Note 12)	600	-	600	-
Cash and cash equivalents	1 230	1 079	598	265
	3 070	2 189	3 328	2 445

	Group		Company	
	31 December		31 December	
Financial liabilities reported in the statements of financial position	2016	2015	2016	2015
Financial liabilities measured at amortised cost				
Borrowings	3 784	4 308	3 784	4 308
Borrowings from subsidiaries	-	-	2 422	1 922
Trade payables	1 461	1 051	1 430	1 008
Amounts payable to subsidiaries	-	-	114	17
Amounts payable to other related parties	129	518	126	507
Accrued expenses and other current liabilities and other payables (Note 18)	594	400	472	384
Financial liabilities at fair value through profit or loss upon initial recognition				
Derivative financial instrument	52	51	52	51
	6 020	6 328	8 400	8 197

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania
NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
 (All amounts are in EUR thousand unless otherwise stated)

3.1 Financial risk factors(cont'd)

(a) Market risk

(i) Monetary assets and monetary liabilities foreign exchange risk

Group	2016		2015	
	31 December		31 December	
	Assets	Liabilities	Assets	Liabilities
USD	7	78	48	10
GBP	-	-	-	1
UAH	12	2	39	3
	19	80	87	14

Company	2016		2015	
	31 December		31 December	
	Assets	Liabilities	Assets	Liabilities
USD	7	78	48	11
GBP	-	-	1	1
UAH	1	-	1	-
	8	78	50	12

The Group and the Company operate internationally and carry out significant part of their transactions in euros. Therefore, the management believes that entities operating in Lithuania are not exposed to significant currency exchange risk.

The Ukrainian subsidiary incurred a foreign exchange loss amounting to EUR 330 thousand during the year ended 31 December 2016 (2015: incurred a foreign exchange loss amounting to EUR 1 916 thousand) due to fluctuations in the official exchange rate of Ukrainian hryvnia (UAH) to EUR set by the National Bank of Ukraine.

Foreign exchange risk for the Group's and the Company's activity is reduced by matching sales transactions and accounts receivable dominated in euro to purchase transactions, accounts payable and borrowings denominated in euro.

From the beginning of the year 2014 due to the geo-political situation in Ukraine and significant drop in the value of UAH against EUR, the Management of the Group and the Company re-designated loan granted, related interests and other long term receivables as a part of net investment in Mrija PAT MTF, considering that the repayment of these amounts is not expected for the foreseeable future.

Accordingly gains (losses) arising from foreign exchange related to the monetary items considered to be part of net investment into foreign operation are accounted in Group's consolidated financial statements through other comprehensive income (loss) in 2015 and 2016.

Amount of monetary items attributed to net investment amounts to EUR 3.5 million as of 31 December 2016 and 2015 and foreign currency exchange difference related to this amount for the year 2016 comprises EUR 303 thousand (EUR 1.7 million in 2015), the difference is accounted in the Group's consolidated financial statements through other comprehensive income.

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania
NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
 (All amounts are in EUR thousand unless otherwise stated)

3.1 Financial risk factors (cont'd)

Comprehensive income (loss) from foreign currency translation included in the consolidated statement of changes in equity in other comprehensive income attributable to the equity holders of the Company:

	31 December 2016	31 December 2015
Foreign currency exchange difference on monetary items attributed to net investments	303	1 740
Foreign currency translation reserve on other items	(297)	(1 802)
Total comprehensive income	6	(62)

Other comprehensive income (loss) from foreign currency translation included in other comprehensive income attributable to non-controlling interests was not material.

The following table demonstrates the sensitivity to a reasonably possible change in UAH exchange rate related to EUR, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the carrying value of monetary assets. The impact on the Group's pre-tax equity is due to changes in the carrying value of net investment. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in UAH rate related to		Effect on pre-tax equity (excludes the impact from the change in result)
	EUR	Effect on profit before tax	
2016	+ 5 %	Decrease by 3 %	Decrease by 2%
	- 5%	Increase by 3 %	Increase by 2%
2015	+ 5 %	Decrease by 5 %	Decrease by 5%
	- 5%	Increase by 5 %	Increase by 5%

(ii) Cash flow interest rate risk

Borrowings with variable interest rates expose the Company and the Group to cash flow interest rate risk. Borrowings with variable interest rates of the Company and the Group in 2016 and 2015 were denominated in EUR.

The Group and the Company analyse their interest rate exposure on an annual basis. The Group and the Company calculates the impact on profit or loss by multiplying year-end balances of interest-bearing loans granted and borrowings (including finance lease payables) by the estimated interest rate shift. Except for the current year's profit (loss), there is no impact on the equity of the Group and the Company.

Based on the simulations performed, the impact of a 0.5 percentage point increase/decrease in interest rates on the Company's and the Group's net result would be an increase/decrease at maximum of EUR 24 thousand (2015 – EUR 25 thousand) and EUR 17 thousand (2015 – EUR 20 thousand), respectively, mainly as a result of higher/lower interest expense/income on borrowings and loans granted.

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania
NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
 (All amounts are in EUR thousand unless otherwise stated)

3.1 Financial risk factors (cont'd)

(b) Credit Risk

(i) Maximum exposure to credit risk

Credit risk arises from cash balances at bank, loans granted and trade receivables.

The table below summarises all credit risk exposures related to financial position items of the Group and the Company. Maximum exposure to credit risk before collateral held or other credit enhancements:

	Group		Company	
	31 December		31 December	
	2016	2015	2016	2015
Cash and cash equivalents (Note 13)	1 230	1 079	598	265
Trade receivables (Note 11)	1 239	1 109	704	827
Current financial assets (Note 12)	600	-	600	-
Non-current loans granted and amounts receivable except for prepayments (Note 25)	1	1	1 426	1 353
Total	3 070	2 189	3 328	2 445

ii) Credit quality of financial assets

The Group chooses the banks and financial institutions in Lithuania with a Fitch rating not lower than A+. The credit quality of trade customers is assessed in view of their financial position, history of co-operation with them and other facts.

The credit quality of financial assets that are neither past due nor impaired can be assessed considering historical data on their performance as independent credit ratings are not available.

(a) Trade receivables – trade customers with no independent rating

	Group		Company	
	31 December		31 December	
	2016	2015	2016	2015
New trade customers (up to 12 months)	59	72	59	72
Current trade customers (more than 12 months) who duly fulfilled their obligations in the past	1 180	1 037	645	755
Total	1 239	1 109	704	827

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania
NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts are in EUR thousand unless otherwise stated)

3.1 Financial risk factors (cont'd)

b) Cash and cash equivalents, excluding cash on hand.

	Group 31 December		Company 31 December	
	2016	2015	2016	2015
A+ and above *	1 217	1 054	594	252
No rating	8	12	1	2
Total	1 225	1 066	595	254

* Independent ratings established by Fitch agency.

Trade receivables that are past due are not treated as impaired when the Group's and the Company's management expects to recover these receivables.

	Group 31 December		Company 31 December	
	2016	2015	2016	2015
Not past due receivables	1 123	879	603	615
Past due not impaired				
Past due up to 30 days	100	202	85	186
Past due 31-60 days	9	3	9	1
Past due 61-180 days	1	20	1	20
Past due more than 181 days	6	5	6	5
Total past due not impaired	116	230	101	212
Overdue and impaired				
Past due more than 181 days	115	115	94	94
Impairment allowance for trade receivables	(115)	(115)	(94)	(94)
Total accounts receivable after impairment	1 239	1 109	704	827

The Company's non-current accounts receivable consist of amounts receivable and loans receivable from subsidiary PAT MTF Mrija, which at 31 December 2016 before impairment allowances amounted to EUR 4 526 thousand, after allowances EUR 2 140 thousand. Receivables from PAT MTF Mrija as of 31 December 2015 before impairment allowances amounted to EUR 4 743 thousand, after allowances EUR 2 357 thousand.

As at 31 December 2016 and 2015 these receivable amounts from subsidiary were past due for more than one year and there were impairment allowances made of EUR 2 386 thousand.

The Group did not have material non-current receivables and loans granted as at 31 December 2016 and 2015.

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania
NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
 (All amounts are in EUR thousand unless otherwise stated)

3.1 Financial risk factors (cont'd)

(c) 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 lines to meet its commitments at a given date in accordance with its strategic plans.

Group's current assets exceeded its current liabilities by 3 106 thousand EUR as of 31 December 2016 (current assets exceeded current liabilities by EUR 2 248 thousand as at 31 December 2015). Group's liquidity (current assets / current liabilities) and quick ((current assets - inventory) / current liabilities) ratios as at 31 December 2016 were 1.68 and 0.76 respectively (1.57 and 0.63 as at 31 December 2015 respectively). Company's (AB Utenos trikotazas) current assets exceeded its current liabilities by 2 228 thousand as at 31 December 2016 (current assets exceeded current liabilities by EUR 1 322 thousand as at 31 December 2015). Company's liquidity (current assets / current liabilities) and quick ((current assets - inventory) / current liabilities) ratios as at 31 December 2016 were 1.55 and 0.53 respectively (1.38 and 0.35 as at 31 December 2015 respectively).

The table below summarises the Group's and the Company's financial liabilities. The financial liabilities are classified into relevant maturity groupings based on the remaining period to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows. Fair value of accounts payable and other financial liabilities due within 3 months or less are equal to their carrying balances as the impact of discounting is insignificant.

Group

31 December 2016	Up to 3 months	3-12 months	1-5 years	Total
Borrowings from banks including future interest	-	793	3 119	3 912
Derivative financial instruments	24	-	28	52
Trade payables and other financial liabilities	2 184	-	-	2 184
	2 208	793	3 147	6 148
31 December 2015	Up to 3 months	3-12 months	1-5 years	Total
Borrowings from banks including future interest	-	784	3 820	4 605
Derivative financial instruments	23	-	28	51
Trade payables and other financial liabilities	1 969	-	-	1 969
	1 992	784	3 848	6 625

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania
NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts are in EUR thousand unless otherwise stated)

3.1 Financial risk factors (cont'd)

Company

31 December 2016	Up to 3 months	3-12 months	1-5 years	Total
Borrowings from Banks including future interest	-	793	3 119	3 912
Borrowings from subsidiaries	-	-	2 556	2 556
Derivative financial instruments	24	-	28	52
Trade payables and other financial liabilities	2 142	-	-	2 142
	2 166	793	5 703	8 662

31 December 2015	Up to 3 months	3-12 months	1-5 years	Total
Borrowings from Banks including future interest	-	784	3 820	4 605
Borrowings from subsidiaries	-	-	2 070	2 070
Derivative financial instruments	23	-	28	51
Trade payables and other financial liabilities	1 916	-	-	1 916
	1 939	784	5 918	8 642

Going concern assumption

During the year 2016, the Group earned net profit of EUR 1 053 thousand and the Company earned a net profit of EUR 569 thousand (2015 – the Group incurred net loss of EUR 261 thousand, Company incurred net loss of 158 EUR thousand).

At the end of the reporting financial year, the Group's and the Company's current assets exceeded current liabilities by EUR 3 106 thousand and EUR 2 228 thousand, respectively (as at 31 December 2015 the Group's and the Company's current assets exceeded current liabilities by EUR 2 248 thousand and EUR 1 322 thousand, respectively).

There are no significant uncertainties about the Company's and the Group's ability to continue as a going concern as at 31 December 2016.

3.2 Capital management

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group and Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group and the Company defines its capital as equity and debt, including financial lease, less cash and cash equivalents. As at 31 December the Group's and the Company's capital structure was as follows:

	Group		Company	
	31 December		31 December	
	2016	2015	2016	2015
Total borrowings	3 784	4 308	6 206	6 230
Less: cash and cash equivalents	(1 230)	(1 079)	(598)	(265)
Net debt	2 554	3 229	5 608	5 965
Total equity	7 273	6 400	5 393	5 011
Total capital	9 827	9 629	11 001	10 976

3.2 Capital management (cont'd)

Utenos trikotazas AB

Pursuant to the Lithuanian Law on Companies the authorised share capital of a public company must be not less than EUR 40 thousand (EUR 2.5 thousand for a private company) and the shareholders' equity should not be lower than 50 per cent of the company's registered share capital. As at 31 December 2016, the Company and its subsidiaries registered in Lithuania complied with these requirements. Furthermore, the Group has to comply with Equity/Assets ratio identified in loan agreement with bank (Note 16).

On 12 January 2015 a new Company's statute for share capital increase was registered in the Register of Legal Entities of the Republic of Lithuania. The Company's share capital was increased by implementing the decisions made on 03-12-2009 and 26-03-2014 in extraordinary general shareholder meetings and according to the requests of the Company's emitted convertible bond owners to exchange 19 units of these convertible bonds into 4 503 000 ordinary shares of the Company. After the conversion the Company's share capital is equal to EUR 2 756 thousand and is divided into 9 503 000 ordinary shares, with a nominal value of EUR 0.29 each.

The remaining part of convertible bonds (47 units) were fully redeemed for the total amount of EUR 3 045 thousand on 12 January 2015.

Mrija PAT MTF

The shareholders' equity of the subsidiary registered in Ukraine was negative as at 31 December 2016 and 31 December 2015. Pursuant to the Ukrainian laws, a company may be put into liquidation when its shareholders' equity becomes less than the minimal amount of authorised share capital as defined in the Law on Companies at the moment of the company's registration. As at 31 December 2016 and 31 December 2015, the shareholders' equity of this subsidiary was less than the statutory minimal amount of authorised share capital. If the company does not take decision on its liquidation, its creditors may claim early termination or the execution of the company's liabilities and compensation of losses, if any. In practice, such actions of the creditors are not likely and the management of the Group considers such risk to be remote. On the date of these financial statements there were no decisions made or actions taken concerning PAT MTF Mrija negative shareholders' equity.

3.3 Fair value measurement

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

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

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

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

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

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

3.3 Fair value measurement (cont'd)

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

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

The fair value of the Group's and the Company's derivative financial instruments was estimated based on the second level of fair value hierarchy (Note 15).

The fair value of the Group's and the Company's investment property was estimated based on the third level of fair value hierarchy (Note 8).

The fair value of the Group's and the Company's financial assets was estimates based on the third level of fair value hierarchy (Notes 11 and 12).

Trade payables and receivables, except for receivables from subsidiaries, accounted for in the Group's and the Company's statement of financial position should be settled within a period shorter than three months, therefore, it is deemed that their fair value equals their carrying amount as at 31 December 2016 and 2015 (third level of fair value hierarchy).

The fair value of receivables from subsidiaries and loans granted to the subsidiary by the Company is estimated discounting expected cash flows at market interest rates (Note 4), management estimates that their fair value approximates carrying amounts as at 31 December 2016 and 2015 (third level of fair value hierarchy). Interest rate on the loans received by the Group and the Company is subject to repricing at least every six months, therefore, it is deemed that their fair value equals their carrying amount.

4. Critical accounting estimates and judgments

When preparing financial statements under IFRS, the Company and the Group make estimates and assumptions that affect the reported amounts of assets and liabilities within. Estimates and judgments 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. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. As at 31 December 2016 and 2015 the management of the Group and the Company did not made any significant judgments. Estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Estimates of recoverable amounts of goodwill and investments in subsidiaries

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy described in Note 2.7. The recoverable amount of cash-generating units has been determined based on value-in-use calculations. These calculations require the use of significant estimates as outlined below.

4. Critical accounting estimates and judgments (cont'd)

Investment in the subsidiary Šatrija AB and related goodwill

After testing for impairment there was no impairment detected for the investment into the subsidiary Šatrija AB. Key assumptions used in the impairment assessment are disclosed below. If reasonably worsened inputs as of 31 December 2016 and 2015 would be used in impairment testing, this would result in no impairment.

Goodwill related to subsidiary Šatrija AB is attributable to the segment of production of working clothes.

As at 31 December 2016 and 2015 the recoverable amount of Šatrija AB cash-generating unit has been determined based on a value in use which was determined using cash flow projections approved by the management and covering a five year period. Projected revenues were discounted using 15.3 per cent pre-tax discount rate, while cash flows beyond the five-year period were extrapolated using a 2 per cent growth rate that reflects the best estimate of the management based on the present situation of this business sector.

According to the impairment test results, goodwill was not impaired as at 31 December 2016 and 2015.

As at 31 December 2016 and 2015, the most important and most sensitive assumptions in the carrying value of the goodwill are the discount rate and revenue growth. Reasonable change in these assumptions would not result in an impairment of goodwill as at 31 December 2016 and 2015.

Investment in the subsidiary PAT MTF Mrija and related goodwill

As at 31 December 2016 and 2015 cost of investment (not including loans and receivables designated as part of net investment as disclosed in Note 3.1) into subsidiary PAT MTF Mrija in the Company's separate financial statements before impairment allowance amounted to EUR 2 195 thousand, after allowance to EUR 0.

Amounts receivable from subsidiary PAT MTF Mrija were tested for impairment jointly with investment into the subsidiary. As at 31 December 2016, receivables from PAT MTF Mrija before impairment allowance amounted to EUR 4 526 thousand, after allowance to EUR 2 140 thousand (2015 – EUR 4 742 thousand and EUR 2 356 thousand, respectively). In 2016 and 2015 additional allowance for receivables was not made. These forecast are based on overall production increase of Utenos trikotazas and significant part of manufacturing transfer to Ukraine due to lower cost labor cost.

As at 31 December 2016 and 2015 the recoverable amount of the cash-generating unit has been determined based on the value in use which was determined using the cash flow projections approved by the management covering a five year period.

After testing for impairment there was no impairment detected for the subsidiary Mrija PAT MTF related goodwill, which has a carrying value of EUR 218 thousand as of 31 December 2016 and EUR 236 thousand as at 31 December 2015 in consolidated accounts. Effect of reasonably worsened inputs in goodwill impairment test is disclosed below.

Based on the current industry situation and past experience, the Group's management included the following key assumptions in the impairment test as at 31 December 2016: increase in revenue from manufacturing activities of PAT MTF Mrija by 38 per cent in 2017 comparing to 2016, by 43 per cent in 2018, by 4 per cent in 2019, and annual decrease by 2 per cent starting from 2019, maintaining a gross profit of 37-38 per cent.

Based on industry situation and past experience, the Group's management included the following key assumptions in the impairment test as at 31 December 2015: increase in revenue from manufacturing activities of PAT MTF Mrija by 58 per cent in 2016 comparing to 2015, by 56 per cent in 2017-2018, and annual decrease by 2 per cent starting from 2018, maintaining a gross profit of 33-38 per cent.

4. Critical accounting estimates and judgments (cont'd)

The pre-tax discount rate applied to cash flow projections is 22 per cent in 2016 and cash flows beyond 5-year period are extrapolated using a 2 per cent constant growth rate that reflects the best estimate of the management based on the current industry situation as at 31 December 2016.

The pre-tax discount rate applied to cash flow projections is 23 per cent in 2015 and cash flows beyond 5-year period are extrapolated using a 2 per cent constant growth rate that reflects the best estimate of the management based on the current industry situation as at 31 December 2015.

In the opinion of the Group's management, the most important and most sensitive assumptions are the discount rate and the revenue growth. The sensitivity analysis to these assumptions is provided below.

Increase of pre-tax discount rate applied to the discounted cash-flows by 1 percentage point (i.e. from 22 per cent to 23 per cent, with all other inputs remaining stable) would not result in an additional impairment loss on amount receivable from subsidiary as at 31 December 2016 (investment would not change as it is impaired to zero). There would be no impairment of related goodwill in the Group's consolidated financial statements.

Increase of pre-tax discount rate applied to the discounted cash-flows by 1 percentage point (i.e. from 23 per cent to 24 per cent, with all other inputs remaining stable) would result in an additional impairment loss on amount receivable from subsidiary amounting to EUR 75 thousand as at 31 December 2015 (investment would not change as it is impaired to zero) in the separate financial statements of the Company. There would still be no impairment of related goodwill in the Group's consolidated financial statements.

Reduction in revenue growth from manufacturing activities in 2017 by 38 percentage points (i.e. from 38 per cent to 0 per cent, with all other inputs remaining stable) would result in an additional impairment loss on amounts receivable from subsidiary amounting to EUR 99 thousand as at 31 December 2016 in the separate financial statements of the Company. There would still be no impairment of related goodwill in the Group's consolidated financial statements.

Reduction in revenue growth from manufacturing activities in 2016 by 58 percentage points (i.e. from 58 per cent to 0 per cent, with all other inputs remaining stable) would result in an additional impairment loss on amounts receivable from subsidiary amounting to EUR 460 thousand as at 31 December 2015 in the separate financial statements of the Company. There would still be no impairment of related goodwill in the Group's consolidated financial statements.

Reduction in revenue growth from manufacturing activities starting from 2018 to 2.0 percentage point (i.e. from 43 per cent to 2 per cent, with all other inputs remaining stable) would result in an additional impairment loss on amounts receivable from subsidiary amounting to EUR 196 thousand as at 31 December 2016 in the separate financial statements of the Company. There would still be no impairment of related goodwill in the Group's consolidated financial statements.

Reduction in revenue growth from manufacturing activities starting from 2017 to 2.0 percentage point (i.e. from 56 per cent to 2 per cent, with all other inputs remaining stable) would result in an additional impairment loss on amounts receivable from subsidiary amounting to EUR 820 thousand as at 31 December 2015 in the separate financial statements of the Company. This would result in impairment of related goodwill in the Group's consolidated financial statements amounting EUR 200 thousand.

Reduction in gross margin to 20 per cent (i.e. from 33-38 per cent to 20 per cent, with all other inputs remaining stable) would result in an additional impairment loss on amounts receivable from subsidiary amounting to EUR 1 443 thousand as at 31 December 2016 in the separate financial statements of the Company. This would result in impairment of related goodwill in the Group's consolidated financial statements amounting EUR 218 thousand.

Reduction in gross margin to 20 per cent (i.e. from 33-38 per cent to 20 per cent), with all other inputs remaining stable, would result in an additional impairment loss on amounts receivable from subsidiary amounting to EUR 1 443 thousand as at 31 December 2015 in the separate financial statements of the Company. This would result in impairment of related goodwill in the Group's consolidated financial statements amounting EUR 816 thousand.

Determination of the carrying value of the buildings

Revaluation of buildings is performed periodically to ensure that the carrying value of buildings does not significantly differ from fair value at the balance sheet date. The latest valuation by professional appraisers was performed on 31 March 2013. As of 31 December 2016, the Management of the Group and the Company considered if there are any indications that the fair value of the revalued assets might differ materially from their carrying amounts, based on real estate market analysis, performed by the third party appraisers, which would require an updated revaluation of the buildings as of 31 December 2016 and the management concluded that there are no such indications. Therefore, no valuation was performed in 2016.

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania
 NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2016

(All amounts are in EUR thousand unless otherwise stated)

4. Critical accounting estimates and judgments (cont'd)

Inventory net realizable value and provision for obsolescence

Inventories consists a significant part of the Group's and the Company's total assets in the statement of financial positions. As at 31 December 2016 and 2015 the Group's and the Company's management assessed whether carrying value of the outstanding stock was not higher than their net realizable value. The management has also assessed allowance for obsolete inventories, by determining obsolescence rates and assessing whether allowance for obsolete inventories is adequate. As at 31 December 2016 the Group's and the Company's allowance for the inventories amounted EUR 650 thousand and EUR 326 thousand (EUR 724 thousand and EUR 381 thousand respectively as at 31 December 2015).

5. Segment information

The Group has two main business segments: production of knitted articles and production of working clothes.

In assessing operational performance of segments the Group's the Board takes into account the sales revenue, gross profit, EBITDA (earnings before financial activity result, tax, depreciation and amortisation), profit (loss) ratios, therefore the report on the Group's segments discloses these items in respect of each segment. As the Board also assesses other items of the statement of comprehensive income by each segment, these items are presented in the report on the Group's segments. Inter-segment transactions are eliminated on consolidation.

2016	Production of knitted articles	Production of working clothes	Eliminations	Total
External sales	19 763	3 027	-	22 790
Internal sales	524	5	(529)	-
Total revenue	20 287	3 032	(529)	22 790
Gross profit	4 012	758	-	4 770
EBITDA	1 706	499	-	2 205
Profit (loss) for the year	723	330	-	1 053
Depreciation and amortization	634	154	-	788
Interest expenses	161	-	(43)	118
Income tax	112	55	-	167
Total segment assets	19 457	3 213	(7 062)	15 608
Total segment liabilities	14 722	675	(7 062)	8 335
2015	Production of knitted articles	Production of working clothes	Eliminations	Total
External sales	16 313	2 609	-	18 922
Internal sales	323	6	(329)	-
Total revenue	16 636	2 615	(329)	18 922
Gross profit	2 940	454	-	3 394
EBITDA	847	187	-	1 034
Profit (loss) for the year	(322)	61	-	(261)
Depreciation and amortization	620	147	-	767
Impairment and write-off (reversal) of inventories	154	-	-	154
Interest expenses	220	-	(102)	118
Income tax	(15)	18	-	3
Total segment assets	18 539	2 739	(6 724)	14 554
Total segment liabilities	14 347	531	(6 724)	8 154

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania
NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts are in EUR thousand unless otherwise stated)

5. **Segment information (cont'd)**

	2016	2015
EBITDA	2 205	1 034
Depreciation and amortization	(788)	(767)
Operating profit (loss)	1 417	267
Interest expenses	(118)	(118)
Other finance cost, net	(79)	(407)
Profit (loss) for the year before income tax	1 220	(258)

The measurement and recognition policies used for preparation of management's reports are the same as those used in these financial statements.

Company's revenues based on activity:

	2016	2015
Sale of goods	19 061	15 688
Sales of services	51	66
Other income	510	260
	19 622	16 014

The Group's and the Company's revenue from main customers in 2016 and 2015 was as follows:

Customer	Region	Group		Company	
		Percentage of total sales (%)		Percentage of total sales (%)	
		2016	2015	2016	2015
Customer 1	Western Europe	11	13	13	15
Customer 2	Western Europe	9	11	10	13

Revenue from these customers is attributed to production of knitted articles segment.

The table below summarizes the Group's revenues geographically:

2016	DACH (Germany, Austria, Switzerland)	Scandinavia (Sweden, Norway, Denmark, Finland)	Lithuania	Other regions	Total
Sales of the Group	9 492	5 881	5 061	2 356	22 790
Sales of the Company	8 410	5 145	4 300	1 767	19 622

2015	DACH (Germany, Austria, Switzerland)	Scandinavia (Sweden, Norway, Denmark, Finland)	Lithuania	Other regions	Total
Sales of the Group	9 202	4 226	3 095	2 399	18 922
Sales of the Company	7 917	3 554	2 707	1 836	16 014

The majority of the Group's sales were performed to DACH customers. In 2016, 20 per cent of total sales was to Swedish customers (2015: 17 per cent) and 14 per cent - to German customers (2015: 16 per cent - to Austrian customers).

The Group's assets (except for the assets of subsidiary PAT MTF Mrija located in the Republic of Ukraine) are located in the Republic of Lithuania. The carrying amount of property, plant and equipment located in Ukraine was EUR 802 thousand as at 31 December 2016 (EUR 875 thousand as at 31 December 2015).

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania
NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts are in EUR thousand unless otherwise stated)

6. Intangible assets

	Group			Company	
	Goodwill, related to PAT MTF Mrija	Goodwill, related to Šatrija AB	Other intangible assets	Total	Other intangible assets
Cost:					
Balance as at 31 December 2014	321	441	1 143	1 905	968
Additions	-	-	24	24	24
Foreign currency translation differences	(85)	-	(29)	(114)	-
Balance as at 31 December 2015	236	441	1 138	1 815	992
Additions	-	-	65	65	60
Disposals and write-offs	-	-	(82)	(82)	(82)
Foreign currency translation differences	(19)	-	-	(19)	-
Balance as at 31 December 2016	217	441	1 121	1 779	970
Amortization and impairment:					
Balance as at 31 December 2014	-	37	1 002	1 039	952
Charge for the year	-	-	11	11	11
Disposals and write-offs	-	-	13	13	-
Balance as at 31 December 2015	-	37	1 026	1 063	963
Charge for the year	-	-	55	55	14
Disposals and write-offs	-	-	(82)	(82)	(82)
Foreign currency translation differences	-	-	(1)	(1)	-
Balance as at 31 December 2016	-	37	998	1 035	895
Net book value as at 31 December 2014	321	404	141	866	16
Net book value as at 31 December 2015	236	404	112	752	29
Net book value as at 31 December 2016	217	404	123	744	75

The Company and the Group do not have internally generated intangible assets. Amortisation expenses of intangible assets are recognised as general and administrative expenses in the statement of comprehensive income (Note 20).

As at 31 December 2016 acquisition cost of fully depreciated but still in use assets amounted to EUR 881 thousand and EUR 879 thousand, respectively (as at 31 December 2015 – EUR 956 thousand and EUR 953 thousand).

Based on the impairment tests performed, no impairment needed to be recognised on the goodwill arising from investment in PAT MTF Mrija and Šatrija AB (Note 4).

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania
NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts are in EUR thousand unless otherwise stated)

7. Property, plant and equipment

Group	Land	Build-ings	Struc-tures	Vehicles and other property, plant and equipment	Construc-tion in progress	Total
Cost or revalued amount:						
Balance as at 31 December 2014	4	5 009	235	21 307	3	26 558
Additions	-	2	-	388	410	800
Disposals and write-offs	-	(66)	(48)	(680)	-	(794)
Foreign currency translation differences	-	(411)	(19)	(221)	-	(651)
Balance as at 31 December 2015	4	4 534	168	20 794	413	25 913
Additions	-	35	-	163	214	412
Reclassification	-	-	-	413	(413)	-
Disposals and write-offs	-	-	(4)	(419)	-	(423)
Foreign currency translation differences	-	(76)	(4)	(35)	-	(115)
Balance as at 31 December 2016	4	4 493	160	20 916	214	25 787
Accumulated depreciation:						
Balance as at 31 December 2014	-	63	197	18 360	-	18 620
Charge for the year	-	139	8	591	-	738
Disposals and write-offs	-	(42)	(45)	(567)	-	(654)
Foreign currency translation differences	-	(126)	(15)	(123)	-	(264)
Balance as at 31 December 2015	-	34	145	18 261	-	18 440
Charge for the year	-	137	6	613	-	756
Disposals and write-offs	-	-	(4)	(417)	-	(421)
Foreign currency translation differences	-	(17)	(4)	(26)	-	(47)
Balance as at 31 December 2016	-	154	143	18 431	-	18 728
Impairment						
Balance as at 31 December 2014	-	13	-	-	-	13
Balance as at 31 December 2015	-	13	-	-	-	13
Balance as at 31 December 2016	-	13	-	-	-	13
Net book value as at 31 December 2014	4	4 933	38	2 947	3	7 925
Net book value as at 31 December 2015	4	4 487	23	2 533	413	7 460
Net book value as at 31 December 2016	4	4 326	17	2 485	214	7 046

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania
NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
 (All amounts are in EUR thousand unless otherwise stated)

7. Property, plant and equipment (cont'd)

Company	Land	Build-ings	Struc-tures	Vehicles and other property, plant and equipment	Con-struction in progress	Total
Cost or revalued amount:						
Balance as at 31 December 2014	4	3 348	165	18 359	1	21 877
Additions	-	-	-	260	410	670
Disposals and write-offs	-	(65)	(48)	(204)	-	(317)
Reclassification to non-current asset held for sale	-	-	-	2	(2)	-
Balance as at 31 December 2015	4	3 283	117	18 417	409	22 230
Additions	-	-	-	109	212	321
Reclassification from construction in progress	-	-	-	409	(409)	-
Disposals and write-offs	-	-	-	(362)	-	(362)
Balance as at 31 December 2016	4	3 283	117	18 573	212	22 189
Accumulated depreciation:						
Balance as at 31 December 2014	-	82	150	16 039	-	16 271
Charge for the year	-	74	6	502	-	582
Disposals and write-offs	-	(42)	(45)	(204)	-	(291)
Balance as at 31 December 2015	-	114	111	16 337	-	16 562
Charge for the year	-	74	4	522	-	600
Disposals and write-offs	-	-	-	(361)	-	(361)
Balance as at 31 December 2016	-	188	115	16 498	-	16 801
Impairment:						
Balance as at 31 December 2014	-	9	-	-	-	9
Balance as at 31 December 2015	-	9	-	-	-	9
Balance as at 31 December 2016	-	9	-	-	-	9
Net book value as at 31 December 2014	4	3 257	15	2 320	1	5 597
Net book value as at 31 December 2015	4	3 160	6	2 080	409	5 659
Net book value as at 31 December 2016	4	3 086	2	2 075	212	5 379

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania
NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts are in EUR thousand unless otherwise stated)

7. Property, plant and equipment (cont'd)

Allocation of property, plant and equipment, intangible assets and investment property amortisation and depreciation disclosed in the table below.

	Group		Company	
	2016	2015	2016	2015
Cost of sales (Note 19)	629	631	480	503
General and administrative expenses (Note 20)	156	133	104	79
Other expenses	3	3	3	3
Cost of inventories	25	(15)	29	11
Total	813	752	616	596

Property, plant and equipment of the Group and the Company with the acquisition cost of EUR 12 384 thousand and EUR 10 175 thousand, respectively, were fully depreciated as at 31 December 2016 (as at 31 December 2015 EUR 11 331 thousand and EUR 9 327 thousand, respectively), but was still in use.

Property, plant and equipment and inventories of the Company with the net book value of EUR 4 897 thousand as at 31 December 2016 was pledged to the banks as a collateral for the borrowings (Note 16). (As at 31 December 2015 property, plant and equipment of the Group and the Company the net book value of these items was EUR 4 054).

If buildings were measured using the cost model, the carrying amounts of buildings would be as follows:

	Group	Company
	31 December 2016	31 December 2016
Cost	3 399	1 790
Accumulated depreciation and impairment	(1 923)	(958)
Net carrying amount	1 476	832

	Group	Company
	31 December 2015	31 December 2015
Cost	3 399	1 790
Accumulated depreciation and impairment	(1 863)	(933)
Net carrying amount	1 536	857

Fair value of the properties was determined by using the market prices method. This means that valuations performed by the valuer are based on active market prices for comparable properties adjusted for difference in the nature, location or condition of the specific property. As at the date of the last revaluation (31 March 2013) the properties' fair values were based on valuations performed by accredited independent valuers UAB Centro klubas (Lithuania) and certified valuer Aleksandr Tidir (Ukraine). The management of the Group and the Company assessed if there are signs that the fair value of the assets could significantly differ from their residual values and decided that no such signs were identified (Note 4). The value of the Group's and the Company's assets is based on third level of fair value hierarchy.

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania
NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
 (All amounts are in EUR thousand unless otherwise stated)

8. Investment property

	Group	Company
Cost:		
Balance as at 31 December 2014	184	184
Balance as at 31 December 2015	184	184
Balance as at 31 December 2016	184	184
Accumulated depreciation:		
Balance as at 31 December 2014	70	70
Charge for the year	3	3
Balance as at 31 December 2015	73	73
Charge for the year	2	2
Balance as at 31 December 2016	75	75
Impairment		
Balance as at 31 December 2014	-	-
Balance as at 31 December 2015	-	-
Balance as at 31 December 2016	-	-
Net book value as at 31 December 2014	114	114
Net book value as at 31 December 2015	111	111
Net book value as at 31 December 2016	109	109

Rental income and related costs have been disclosed in Note 21.

Investment property of the Company and the Group comprises buildings rented to related party.

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania
NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
 (All amounts are in EUR thousand unless otherwise stated)

8. Investment property (cont'd)

Leased investment property, where the Company and the Group is a lessee under finance lease contracts was as follows as at 31 December:

	Group		Company	
	2016	2015	2016	2015
Cost – capitalised finance lease				
Investment property	184	184	184	184
Accumulated depreciation				
Investment property	(75)	(73)	(75)	(73)
Impairment loss for investment property	-	-	-	-
Reversal of impairment	-	-	-	-
Net book value as at 31 December	109	111	109	111

As of 31 December 2016, the management of the Group and the Company considered if there are any indications that the fair value of the investment property might differ materially from their carrying amounts. Fair value of the properties was determined by using the market prices method. This means that valuations performed by the valuer are based on active market prices for comparable properties adjusted for difference in the nature, location or condition of the specific property. As at the date of the last revaluation (31 March 2013) the properties' fair values were based on valuations performed by accredited independent valuers UAB Centro klubas (Lithuania) and certified valuer Aleksandr Tidir (Ukraine). The management of the Group and the Company assessed if there are signs that the fair value of the assets could significantly differ from their residual values and decided that no such signs were identified (Note 4). The Group's and the Company's investment property fair value was estimated based on the third level of fair value hierarchy.

	Group		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Net book value of investment property	109	111	109	111
Fair value of investment property	258	258	258	258

Investment property future rental income

	Group		Company	
	2016	2015	2016	2015
During 1 year	13	10	13	10
After 1 year but not later than 5 years	2	-	2	-
After 5 years	-	-	-	-
	15	10	15	10

No material contractual commitments to purchase, construct, develop, repair or increase the investment property existed at the year-end.

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania
NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts are in EUR thousand unless otherwise stated)

9. Investments in subsidiaries

The Company's investments in subsidiaries were as follows as at 31 December:

	<u>2016</u>	<u>2015</u>
Cost of investments:		
Balance as at 1 January	3 694	3 694
Balance as at 31 December	3 694	3 694
Impairment:		
Balance as at 1 January	2 195	2 195
Impairment	-	-
Balance as at 31 December	2 195	2 195
Carrying amount of investments in subsidiaries as at 31 December	<u>1 499</u>	<u>1 499</u>

As described in Note 4, the investment into the subsidiary PAT MTF Mrija is impaired to zero.

10. Inventories

	Group		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Raw materials	1 759	1 638	1 416	1 262
Work in progress	1 734	1 140	1 724	1 139
Finished goods	1 321	1 584	1 299	1 572
Goods for resale	52	49	-	-
	4 866	4 411	4 439	3 973
Write-down to net realisable value:				
Opening balance	(724)	(731)	(381)	(402)
Change	74	7	55	21
Closing balance	(650)	(724)	(326)	(381)
	4 216	3 687	4 113	3 592

The acquisition cost of the Group's and the Company's inventories accounted for at net realizable value as at 31 December 2016 amounted to EUR 678 thousand and EUR 343 thousand, respectively (as at 31 December 2015: EUR 923 thousand and EUR 593 thousand, respectively). Changes in impairment allowance for inventories during 2016 and 2015 were recorded within the Group's and the Company's general and administrative expenses (Note 20).

The Group does not account for third-party inventories received for processing and stored in the Group's warehousing premises in the statement of financial position. The unaudited value of such inventories owned by third parties was EUR 2 232 thousand as at 31 December 2016 (EUR 1 752 thousand as at 31 December 2015). The Company does not hold third-party inventories.

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania
NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
 (All amounts are in EUR thousand unless otherwise stated)

11. Trade receivables

	Group		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Trade receivables, gross	1 354	1 224	798	921
Allowance for trade receivables:				
Opening balance	(115)	(134)	(94)	(113)
Additional allowance	-	-	-	-
Written - off	-	19	-	19
Closing balance	(115)	(115)	(94)	(94)
	1 239	1 109	704	827

Changes in impairment allowance for doubtful trade receivables during 2016 and 2015 were recorded within the Group's and the Company's general and administrative expenses (Note 20).

For trade receivables ageing see Note 3.1.

12. Other current assets and financial assets

	Group		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Other current assets				
Taxes receivable, except for prepaid income tax	89	48	57	29
Prepayments	138	96	132	56
Accrued expenses	138	161	37	44
Current financial assets	600	-	600	-
Total current and financial assets	965	305	826	129

In accordance with the requirements of the tender of knitwear manufacturing, where the Company participated as at 6 September 2016, cash of restricted use is kept at the bank DNB (EUR 600 thousand as at 31 December 2016), which, in case of won tender, would be used to ensure manufacturing of orders. This cash was disclosed as current financial asset as due to lost tender was transferred to the Company's bank account as at 23 March 2017.

13. Cash and cash equivalents

	Group		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Cash on hand	5	13	3	11
Cash at bank	1 225	1 066	595	254
	1 230	1 079	598	265

As at 31 December 2016 and 2015, the Group and the Company had no restrictions on the use of cash and cash equivalents.

14. Share capital

As at 31 December 2016 and 2015, the share capital comprised of 9 503 000 ordinary registered shares with nominal value of EUR 0.29 each.

On 12 January 2015 a new Company's statute for share capital increase was registered in the Register of Legal Entities of the Republic of Lithuania. The Company's share capital was increased by implementing the decisions made on 03-12-2009 and 26-03-2014 in extraordinary general shareholder meetings and according to the requests of the Company's emitted convertible bond owners to exchange 19 units of these convertible bonds into 4 503 000 ordinary shares of the Company. After the conversion the Company's share capital is equal to EUR 2 756 thousand and is divided into 9 503 000 ordinary shares, with a nominal value of EUR 0.29 each.

As at 31 December 2016 and 2015, all the shares were fully paid.

The subsidiaries did not hold any shares of the Company as at 31 December 2016 and 2015. The Company did not hold its own shares as at 31 December 2016 and 2015.

15. Other reserves and retained earnings (deficit)

Revaluation surplus

Revaluation surplus reflects the result of the revaluation (net of deferred tax) of the property, plant and equipment.

Legal reserve

A legal reserve is a compulsory reserve under the Lithuanian legislation. Annual transfers of not less than 5 % of distributable profit of the Company calculated according to the Lithuanian Company's law, are compulsory until the reserve reaches 10 % of the share capital. As at 31 December 2016 and 2015 the legal reserve is fully formed by the Company. The legal reserve cannot be distributed as dividends but can be used to cover accumulated losses.

Foreign currency translation reserve

The foreign currency translation reserve represents translation differences arising on consolidation of financial statements of foreign subsidiaries (Note 2.15).

Reserve for acquisition of own shares

In 2015 according to the decision of the shareholders of Šatrija AB the reserve for acquisition of own shares of EUR 300 thousand was formed (including non-controlling interest).

Cash flow hedge reserve

The Company's loan with DNB Bank is with floating interest rate that is linked to EURIBOR (Note 16). On 26 November 2014 the Company signed interest rate swap contract with DNB Bank in order to avoid the interest rate fluctuations. The agreement is valid until 25 November 2019. The fair value of interest rate swap contract used for interest rate risk hedging was EUR 52 thousand as of 31 December 2016 and was accounted for under non-current (amounting EUR 28 thousand) and current liabilities (amounting EUR 24 thousand) (as at 31 December 2015: under non-current (EUR 28 thousand) and current (EUR 23 thousand) liabilities).

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania
 NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2016
 (All amounts are in EUR thousand unless otherwise stated)

16. Borrowings

	Group		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Current				
Current portion of non-current bank borrowings	738	691	738	691
Non-current				
Borrowings from subsidiaries	-	-	2 422	1 922
Long-term bank borrowings	3 046	3 617	3 046	3 617
Total borrowings	3 784	4 308	6 206	6 230

The Company's borrowings from subsidiaries consist of the loan granted by subsidiary Šatrija AB, amounting to EUR 2 060 thousand with maturity as at 26 November 2019 and variable interest rate 12 month EURIBOR+1.9 % and loan granted by subsidiary Gotija UAB, amounting to EUR 362 thousand with maturity as at 26 November 2019 and variable interest rate 12 month Euribor + 1.9 %.

As of 31 December 2016 and 2015, the bank borrowings were secured by property plant and equipment and inventory (Note 7 and 10).

The carrying amounts of borrowings were denominated in the following currencies:

	Group		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
EUR	3 784	4 308	6 206	6 230

The weighted average interest rates (%) were as follows:

	Group		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Long-term borrowings from subsidiaries	-	-	1.9	2.23
Long-term bank borrowings	1.59	1.91	1.59	1.91

The interest rate for the borrowings is based on variable interest rate, therefore, in the opinion of the management, the carrying amount of borrowings approximates their fair value. The Group's and the Company's borrowings fair value was estimated based on the two level of fair value hierarchy.

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania
NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
 (All amounts are in EUR thousand unless otherwise stated)

16. Borrowings (cont'd)

The exposure of the borrowings to interest rate changes and the contractual re-pricing dates at the balance sheet dates are as follows:

Interest changes	Group		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Every 3 months	3 784	4 308	3 784	4 308
Every 12 months	-	-	2 422	1 922
	3 784	4 308	6 206	6 230

On 22 March 2016 the Company and AB DNB signed an agreement according to which the unused loan amount was decreased to EUR 423 thousand and principle of interest rate calculation was changed.

As at 31 December 2016 unutilised amount of the loan was EUR 207 thousand. As at 31 December 2015 unutilised amount of the loan was EUR 408 thousand.

As at 31 December 2016 the Group and the Company fulfilled all covenants as stated in the bank loan agreement.

As at 31 December 2015 the Group and Company did not comply with one financial covenant, stated in the loan agreement with DNB bank AB. The Company and the Group received DNB bank AB waiver dated 30 December 2015 which states that loan agreement will not be terminated if the Group does not exceed financial debt/EBITDA ratio as of 31 December 2015 set in the waiver and accordingly repayment of the loan will not be requested earlier than stated in the agreement. The Group complied with the ratio set in the waiver, therefore loan was not reclassified to short term liabilities. The carrying value of this loan was EUR 4 308 thousand as at 31 December 2015.

On 22 June 2015 the Company and AB DNB signed an agreement, according to which the loan amount was increased by EUR 630 thousand for 2015 investments into equipment.

Utilised loan amount in 2015 amounts to EUR 220 thousand. On 20 February 2016 Company's property, plant and equipment and inventories with carrying value amounting to EUR 4 054 thousand were pledged.

An agreement maturity date is 25 November 2019. Interest rate is 3 month EURIBOR + 1.9 % margin.

Operating lease commitments – the Group and the Company as a lessee

The Group and the Company has entered into operating leases on certain motor vehicles with DNB Bank AB and Swedbank Lizingas UAB, with lease terms up to five years.

Future minimum rentals payable under operating leases are, as follows:

	Group		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Within one year	30	24	26	17
After one year but not more than five years	79	66	73	55
More than five years	-	-	-	-
	109	90	99	72

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania
NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts are in EUR thousand unless otherwise stated)

17. Provisions for employee benefits

	Group	Company
Balance as at 31 December 2014	219	204
Benefits earned	288	278
Interest costs	(91)	(95)
Actuarial (gain) loss	(104)	(104)
Reduction of costs due to cancelled labour contracts	(30)	(28)
Balance as at 31 December 2015	282	255
Benefits earned	(36)	(57)
Interest costs	3	3
Actuarial (gain) loss	186	186
Reduction of costs due to cancelled labour contracts	(55)	(52)
Balance as at 31 December 2016	380	335
	Group	Company
Long term provisions for employee benefits as at 31 December 2016	310	271
Short term provisions for employee benefits as at 31 December 2016	70	64
	Group	Company
Long term provisions for employee benefits as at 31 December 2015	226	205
Short term provisions for employee benefits as at 31 December 2015	56	50

Provisions for pension and jubilee benefits represent amounts calculated according to the collective agreements, which are in force in the Group and the Company. In the Company and its subsidiary Šatrija, AB each employee is entitled to a jubilee benefit and a 2 month salary payment when leaving the job at or after the start of pension period.

2016 provisions were calculated with the discount rate of 0.81 per cent and employee turnover rate of 9.74 per cent (in 2015: 1.63 per cent and 9.47 per cent, respectively). Average age till pension by the Group and the Company was respectively 19.1 and 19.12 years as at 31 December 2016 (2015: 19.62 and 19.18 years). The sensitivity of the defined benefit obligation to the changes in assumption is set out below. The impact of change in each assumption the total plan obligations is presented below.

Impact on defined benefit obligation as at 31 December 2016

	Change in assumption	Group		Company	
		Positive change in assumption	Negative change in assumption	Positive change in assumption	Negative change in assumption
Discount rate	0.5 %	Decreased by 3.42%	Increased by 3.68 %	Decreased by 3.89 %	Increased by 4.20 %
Salary growth rate	0.5 %	Increased by 3.62%	Decreased by 3.40 %	Increased by 4.13 %	Decreased by 3.86 %

Impact on defined benefit obligation as at 31 December 2015

	Change in assumption	Group		Company	
		Positive change in assumption	Negative change in assumption	Positive change in assumption	Negative change in assumption
Discount rate	0.5 %	Decrease by 3.56 %	Increase by 2.86 %	Decrease by 3.82 %	Increase by 2.96 %
Salary growth rate	0.5 %	Increase by 3.50 %	Decrease by 2.98 %	Increase by 2.69 %	Decrease by 3.15 %

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania
 NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2016
 (All amounts are in EUR thousand unless otherwise stated)

18. Accrued expenses and other current liabilities

	Group		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Accrual for vacation reserve	849	631	513	373
Wages, salaries and social security	577	487	461	387
Amounts payable for services and non-current assets	228	196	226	239
Taxes payable, except for income tax	150	121	128	97
Other liabilities	366	204	246	145
	2 170	1 639	1 574	1 241

19. Cost of sales

	Group		Company	
	2016	2015	2016	2015
Wages, salaries and social security	7 609	7 043	5 647	5 355
Materials	6 730	5 935	6 491	5 497
Other overhead expenses	2 402	1 904	2 861	2 096
Depreciation and amortization (Note 6, 7 and 8)	629	631	480	503
Cost of materials sold	650	15	637	7
	18 020	15 528	16 116	13 458

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania
NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts are in EUR thousand unless otherwise stated)

20. Selling general and administrative expenses

	Group		Company	
	2016	2015	2016	2015
Selling expenses				
Wages, salaries and social security	574	430	507	362
Advertising and marketing costs	267	282	265	280
Agency costs	265	200	265	200
Transportation costs	196	100	194	100
Maintenance costs of retail outlets	134	64	115	45
Depreciation and amortization (Notes 6, 7 and 8)	42	37	42	37
Other selling expenses	56	228	51	214
Total selling expenses	1 534	1 341	1 439	1 238
General and administrative expenses				
Wages salaries and social security	865	844	649	620
Communications and consulting services	298	288	241	225
Provisions for employee benefits (reversal) (Note 17)	(88)	155	(106)	154
Depreciation and amortization (Notes 6, 7 and 8)	114	96	62	42
Security	105	94	54	47
Vehicles exploitation expenses	68	74	54	58
Taxes other than income tax	126	54	77	38
Services of financial institutions	59	49	54	44
Premises exploitation expenses	36	37	34	34
Travel expenses	32	35	29	28
Representation expenses	16	26	13	21
Impairment and write-off (reversal) of inventories	19	(7)	39	(21)
Other	310	265	165	158
Total general and administrative expenses	1 960	2 010	1 365	1 448
	3 494	3 351	2 804	2 686

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania
NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
 (All amounts are in EUR thousand unless otherwise stated)

21. Other income and expenses

	Group		Company	
	2016	2015	2016	2015
Gain from disposal of non-current as- sets	22	120	21	9
Rent income	21	19	18	19
Other income	120	127	44	42
Other income	163	266	83	70
Loss from disposal of non-current as- sets	(1)	(4)	-	(4)
Rent costs	(13)	(11)	(11)	(11)
Other expenses	(8)	(28)	(1)	(13)
Other expenses	(22)	(43)	(12)	(28)

22. Finance costs, net

	Group		Company	
	2016	2015	2016	2015
Foreign exchange gain	484	577	24	49
Interest income	-	-	60	60
Income from financing activities	484	577	84	109
Interest expenses	(118)	(118)	(161)	(159)
Foreign exchange (loss)	(563)	(983)	(22)	(41)
Financial expenses	(681)	(1 101)	(183)	(200)

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania
NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts are in EUR thousand unless otherwise stated)

23. Income tax

Income tax expense comprised as follows:

	Group		Company	
	2016	2015	2016	2015
Current tax	(104)	(38)	(28)	(12)
Change in deferred tax	(63)	35	(77)	33
Income tax income (expense) recognised in the statement of comprehensive income	(167)	(3)	(105)	21

Reconciliation of the reported amount of income tax expense for the year to the amount of income tax that would be calculated applying the statutory income tax rate to profit before tax:

	Group		Company	
	2016	2015	2016	2015
Profit (losses) before tax	1 220	(258)	674	(179)
Income tax income (expense) at a rate of 15%	(183)	39	(101)	27
Effect of different tax rates applicable to subsidiary in Ukraine	4	6	-	-
Change in valuation allowances for deferred tax asset	2	(7)	-	-
Expenses not deductible for tax purposes	10	(41)	(4)	(6)
Income tax income (expenses) reported in the statement of comprehensive income	(167)	(3)	(105)	21

In 2016, deferred income tax asset and liability relating to the entities operating in Lithuania were estimated using the tax rate of 15 per cent (15 per cent tax rates in 2015). Deferred income tax asset and liability relating to entity operating in Ukraine were estimated using the tax rate of 18 per cent (in 2015, 18 per cent).

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania
NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts are in EUR thousand unless otherwise stated)

23. Income tax (cont'd)

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

Group	31 December 2014	Recognised in profit (loss)	Recognised in other comprehensive income	31 December 2015	Recognised in profit (loss)	Recognised in other comprehensive income	31 December 2016
Deferred tax assets							
Tax loss carry forward	268	(36)	(3)	229	(133)	(4)	92
Inventories	64	-	-	64	(10)	-	54
Receivables	3	-	-	3	-	-	3
Impairment of property, plant and equipment	1	-	-	1	-	-	1
Provisions for employee benefits	33	9	-	42	14	-	56
Goodwill	20	(4)	-	16	(5)	-	11
Accrued charges	45	5	-	50	15	-	65
Deferred tax assets before valuation allowance	434	(26)	(3)	405	(119)	(4)	282
Less: valuation allowance	(35)	(7)	-	(42)	2	-	(40)
Deferred tax assets, net	399	(33)	(3)	363	(117)	(4)	242
Deferred tax liabilities							
Depreciation of property, plant and equipment	(254)	32	-	(222)	48	-	(174)
Property, plant and equipment revaluation	(509)	32	36	(441)	6	18	(417)
Deferred tax liabilities	(763)	64	36	(663)	54	18	(591)
Deferred tax, net	(364)	31	33	(300)	(63)	14	(349)

Recognised in the statement of financial position*:

	31 December 2016	31 December 2015
Deferred income tax asset	58	50
Deferred income tax liabilities	407	351

*Deferred income tax asset and liabilities are netted as much as they are related to the tax institution and with the condition that tax institution does not perform such coverings.

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania
NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts are in EUR thousand unless otherwise stated)

23. Income tax (cont'd)

Company	31 December 2014	Recognised in profit (loss)	31 De- cember 2015	Recogni- sed in profi (loss)	31 De- cember 2016
Deferred tax assets					
Tax loss carry forward	248	(29)	219	(134)	85
Inventories	60	(3)	57	(8)	49
Impairment of property, plant and equipment	1	-	1	-	1
Provisions for employee benefits	31	6	37	13	50
Accrued charges	11	3	14	4	18
Deferred tax assets before valuation allowance	351	(23)	328	(125)	203
Less: valuation allowance	-	-	-	-	-
Deferred tax assets, net	351	(23)	328	(125)	203
Deferred tax liabilities					
Depreciation of property, plant and equipment	(253)	49	(204)	41	(163)
Property, plant and equipment re-valuation	(324)	7	(317)	7	(310)
Deferred tax liabilities	(577)	56	(521)	48	(473)
Deferred tax, net	(226)	33	(193)	(77)	(270)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

As at 31 December 2016 the Group's and the Company's tax losses to be carried forward against future taxable income amounted to EUR 3 895 thousand and EUR 564 thousand, respectively (2015: EUR 4 688 thousand and EUR 1 462 thousand, respectively). All tax losses of the Company may be carried forward for an unlimited term.

As at 31 December 2016 the Group's company PAT MTF Mrija had tax losses amounting to EUR 3 331 thousand (2015: EUR 3 232 thousand) for which no deferred tax assets were recognised due to uncertainties related to their realisation.

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania
NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
 (All amounts are in EUR thousand unless otherwise stated)

24. Basic earnings per share

Profit (loss) per share reflect the Group's net profit/(loss), divided by the outstanding number of shares. Calculation of the profit/(loss) per share is presented below:

	Group	
	2016	2015
Profit (loss) attributable to the equity holders of the Group	1 015	(268)
Weighted average number of shares in issue (thousand)	9 503	9 330
Basic/dilutive earnings per share (in EUR)	<u>0,11</u>	<u>(0,03)</u>

As at 31 December 2015 convertible bonds were not included into earnings per share calculation, as they were anti-dilutive.

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 Group are as follows:

Related party	Description of relation
A. Martinkevičius	Ultimate controlling individual
UAB Koncernas SBA	Ultimate parent company, exercising control through majority of Board members
SBA group companies	UAB Koncernas SBA subsidiaries
Company's management	Directors, Board members and their close family members

Besides related parties of the Group, subsidiaries of the Company are treated as related parties of the Company.

In the normal course of business the Company and the Group enter into transactions with their related parties. These transactions are priced predominantly 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, when such information is known to the Group/Company.

As at 31 December 2016 and 31 December 2015, the management of the Group and the Company had 0.002 per cent of shares of PAT MTF Mrija.

Material partly-owned subsidiaries

Financial information of subsidiaries that have material non- controlling interests is provided below.

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania
NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
 (All amounts are in EUR thousand unless otherwise stated)

25. Related party transactions (cont'd)

Proportion of equity interest held by non-controlling interests:

	Country of incorporation and operation	2016	2015
Gotija, UAB	Lithuania	9.50%	9.50%
Šatrija, AB	Lithuania	10.22%	10.22%
PAT MTF Mrija	Ukraine	1.05%	1.05%

Accumulated balances of non-controlling interest:

	2016	2015
Gotija, UAB	51	48
Šatrija, AB	434	400
PAT MTF Mrija	(71)	(72)

Summarised statement of comprehensive income
for 2016:

	Gotija, UAB	Šatrija, AB	PAT MTF Mrija
Revenue	229	3 032	436
Cost of sales	(125)	(2 269)	(415)
Administrative expenses	(71)	(493)	(132)
Other operating income (expenses)	-	80	(1)
Finance income (expenses)	7	35	242
Profit before tax	40	385	130
Income tax	(6)	(55)	-
Profit for the year from continuing operations	34	330	130
Total comprehensive income	34	330	130
Attributable to non-controlling interests	3	34	1
Dividends paid to non-controlling interests	-	-	-

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania
 NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2016
 (All amounts are in EUR thousand unless otherwise stated)

25. Related party transactions (cont'd)

Summarised statement of comprehensive income for 2015:

	Gotija, UAB	Šatrija, AB	PAT MTF Mrija
Revenue	224	2 615	398
Cost of sales	(126)	(2 154)	(352)
Administrative expenses	(68)	(505)	(97)
Other operating income(expenses)	-	91	98
Finance costs	8	32	(251)
Profit before tax	38	79	(204)
Income tax	(6)	(18)	-
Profit for the year from continuing operations	32	61	(204)
Total comprehensive income	32	61	(204)
Attributable to non-controlling interests	3	6	(2)
Dividends paid to non-controlling interests	-	-	-

Summarised statement of financial position as at 31 December 2016:

	Gotija, UAB	Šatrija, AB	PAT MTF Mrija
Inventories and cash and bank balance (current)	192	1 173	81
Property, plant and equipment and other non-current financial assets (non-current)	362	3 744	1 064
Trade and other payables (current)	(6)	(464)	(3 465)
Interest-bearing loans and borrowings and deferred tax liabilities (non-current)	(9)	(211)	(4 463)
Total equity	539	4 242	(6 783)
Attributable to:			
Equity holders of parent	488	3 808	(6 712)
Non-controlling interest	51	434	(71)

Summarised statement of financial position as at 31 December 2015:

	Gotija, UAB	Šatrija, AB	PAT MTF Mrija
Inventories and cash and bank balance (current)	519	1 151	76
Property, plant and equipment and other non-current financial assets(non-current)	-	3 292	1 161
Trade and other payables(current)	(2)	(116)	(3 846)
Interest-bearing loans and borrowings and deferred tax liabilities (non-current)	(11)	(415)	(4 216)
Total equity	506	3 912	(6 825)
Attributable to:			
Equity holders of parent	458	3 512	(6 753)
Non-controlling interest	48	400	(72)

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania
NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
 (All amounts are in EUR thousand unless otherwise stated)

25. Related party transactions (cont'd)

Summarised cash flow information for year ending 31 December 2016:

	Gotija, UAB	Šatrija, AB	PAT MTF Mrija
Operating	5	(135)	36
Investing	7	(56)	(40)
Financing	-	-	-
Net increase/(decrease) in cash equivalents	12	(191)	(4)

Summarised cash flow information for year ending 31 December 2015:

	Gotija, UAB	Šatrija, AB	PAT MTF Mrija
Operating	34	130	(188)
Investing	8	(76)	169
Financing	-	-	-
Net increase/(decrease) in cash equivalents	42	54	(19)

Related party transactions are disclosed below:

	Group		Company	
	2016	2015	2016	2015
<i>Sales of goods and services</i>				
Subsidiaries of the Company	-	-	146	140
SBA group companies	11	4	11	4
Ultimate parent company	3	1	3	1
	14	5	160	145
<i>Interest income</i>				
Subsidiaries of the Company	-	-	60	60
	-	-	60	60
<i>Interest expenses</i>				
Ultimate parent company	-	-	-	-
Subsidiaries of the Company	-	-	42	41
	-	-	41	41
<i>Purchases of goods and services</i>				
Subsidiaries of the Company	-	-	774	429
Ultimate parent company	286	172	259	172
Other related parties	7	3	6	3
	293	175	1 039	604

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania
NOTES TO THE CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(All amounts are in EUR thousand unless otherwise stated)

25. Related party transactions (cont'd)

	Group		Company	
	31 De- cember 2016	31 De- cember 2015	31 De- cember 2016	31 De- cember 2015
Amounts receivable (including prepayments and loans)				
Accounts receivable from subsidiaries, gross*	-	-	2 247	2 234
Impairment allowances made	-	-	(1 958)	(1 958)
Accounts receivable from subsidiaries, net	-	-	289	276
Prepayments to subsidiaries	-	-	714	1 003
Loans granted including interest receivable from subsidiaries, gross**	-	-	1 565	1 505
Impairment allowances made	-	-	(428)	(428)
Loans granted including interest receivable from subsidiaries, net	-	-	1 851	2 080
	-	-	2 140	2 356

* In 2016 and 2015 the accounts receivable consists only of accounts receivable from PAT MTF Mrija.

** In 2016 and 2015 the amount stands for loan granted to (including interest receivable) PAT MTF Mrija with fixed annual interest rate of 6 per cent.

Interest rates established for loans granted to related parties by the Company are based on the market interest rates set for similar borrowings, therefore, the carrying amount of loans granted to related parties is approximately equal to their fair value.

	Group		Company	
	2016	2015	2016	2015
Current and non-current payables				
Subsidiaries of the Company:				
Borrowings	-	-	2 422	1 922
Other payables	-	-	114	17
SBA group companies:				
Other related parties	2	1	1	1
Ultimate parent company	127	517	125	506
	129	518	2 662	2 446

25. Related party transactions (cont'd)

In 2016 the amount of loan was increased by EUR 500 thousand and as at 31 December 2016 amounted to EUR 2 060 thousand.

In 2015 the amount of loan increased by EUR 102 thousand and as at 31 December 2015 amounted to EUR 1 560 thousand with maturity term of 26 November 2019.

The Company has the borrowing of EUR 362 thousand from the subsidiary Gotija, UAB (the same amount in 2015). In 2015 the loan was extended to the 26 November 2019.

	Group		Company	
	2016	2015	2016	2015
Key management compensation including social security costs				
Remuneration of management	509	553	332	364
Defined benefit obligations for management	4	2	2	2
	<u>513</u>	<u>555</u>	<u>334</u>	<u>366</u>

Key management includes general director, functional directors and chief accountant.

In 2016 and 2015 the management of the Group and the Company did not receive any loans, guarantees, any other payments or property transfers were not made or accrued. Remuneration of management comprise base salary and related social security costs.

No guarantees were issued on behalf of related parties as at 31 December 2016 and 2015.

26. Other commitments

As at 31 December 2016 and 2015 the Group and the Company had no material commitments for acquisition of property, plant and equipment or intangible assets.

27. Post balance sheet events

As of the date of approval of these financial statements the management of the Company has not yet prepared a draft of profit distribution for 2016.

The Company lost the tender and received cash with restricted use as at 23 March 2017.

The board of the Company as at 27 March 2017 made a decision to sign:

1. Agreement with DNB bank to increase loan up to EUR 4 312 thousand (additional amount of EUR 650 thousand with termination as at 31 March 2017).
2. Agreement with DNB bank regarding credit line amounting EUR 500 thousand for the one year.

There were no material post balance sheet events, that could make a significant impact for the financial statement of the Group and the Company.