# AB LINAS AGRO GROUP
# CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**PREPARED IN ACCORDANCE WITH**

**INTERNATIONAL FINANCIAL REPORTING**

**STANDARDS,**

**AS ADOPTED BY THE EUROPEAN UNION,**

**PRESENTED TOGETHER WITH**

**INDEPENDENT AUDITOR'S REPORT**

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Juridinio asmens kodas 110878442
PVM mokėtojo kodas LT108784411
Juridinių asmenų registras

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

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

Report on the Financial Statements

We have audited the accompanying financial statements of AB Linas Agro Group, a public limited liability company registered in the Republic of Lithuania (hereinafter "the Company"), and the consolidated financial statements of AB Linas Agro Group and subsidiaries (hereinafter the Group), which comprise the statements of financial position as at 30 June 2012, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes (comprising a summary of significant accounting policies and other explanatory information).

*Management's Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

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

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

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

*Opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 30 June 2012, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the consolidated Annual Report for the year ended 30 June 2012 and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 30 June 2012.

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

Asta Štreimikienė
Auditor's licence
No. 000382

The audit was completed on 25 September 2012.

## STATEMENTS OF FINANCIAL POSITION

| | Notes | Group | | Company | |
|---|---|---|---|---|---|
| | | As at 30 June 2012 | As at 30 June 2011 | As at 30 June 2012 | As at 30 June 2011 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Intangible assets | 5 | 612 | 366 | 300 | 300 |
| Property, plant and equipment | 6 | 122,256 | 123,208 | - | - |
| Investment property | 7 | 9,513 | 9,012 | 515 | 545 |
| Animals and livestock | 11 | 11,852 | 14,007 | - | - |
| Non-current financial assets | | | | | |
| Investments into subsidiaries | 3 | - | - | 202,864 | 203,429 |
| Investments into associates | 8 | 286 | 347 | 4,038 | 4,038 |
| Investments into joint ventures | 8 | 29,887 | 25,821 | 4,902 | 4,902 |
| Other investments and prepayments | 9 | 311 | 2,588 | 4,905 | - |
| Non-current receivables | 10 | 5,446 | 10,317 | 781 | - |
| Non-current receivables from related parties | 33 | 3,230 | 1,359 | - | - |
| Total non-current financial assets | | 39,160 | 40,432 | 217,490 | 212,369 |
| Deferred income tax asset | 29 | 6,289 | 8,797 | 18 | - |
| **Total non-current assets** | | **189,682** | **195,822** | **218,323** | **213,214** |
| **Current assets** | | | | | |
| Crops | 11 | 36,395 | 29,682 | - | - |
| Inventories | 12 | 136,947 | 128,226 | - | - |
| Prepayments | 13 | 16,407 | 49,674 | 61 | 8 |
| Accounts receivable | | | | | |
| Trade receivables | 14 | 190,888 | 160,768 | 5 | - |
| Receivables from related parties | 33 | 3,605 | 3,899 | 31,976 | 36,430 |
| Other accounts receivable | 15 | 17,579 | 26,048 | 180 | 43 |
| Income tax receivable | | 1,043 | 3,209 | 3 | 14 |
| Total accounts receivable | | 213,115 | 193,924 | 32,164 | 36,487 |
| Other current financial assets | 16 | 43,575 | 3,482 | 37,981 | - |
| Cash and cash equivalents | 17 | 54,768 | 7,624 | 43,919 | 2,049 |
| **Total current assets** | | **501,207** | **412,612** | **114,125** | **38,544** |
| Assets classified as held for sale | 8 | - | 1,802 | - | 700 |
| **Total assets** | | **690,889** | **610,236** | **332,448** | **252,458** |

*(cont'd on the next page)*

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

## STATEMENTS OF FINANCIAL POSITION (CONT'D)

| | Notes | Group | | Company | |
|---|---|---|---|---|---|
| | | As at 30 June 2012 | As at 30 June 2011 | As at 30 June 2012 | As at 30 June 2011 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to equity holders of the parent** | | | | | |
| Share capital | 1 | 158,940 | 158,940 | 158,940 | 158,940 |
| Share premium | 1 | 79,545 | 79,545 | 79,545 | 79,545 |
| Legal reserve | 18 | 4,401 | 4,151 | 4,401 | 4,151 |
| Reserve for own shares | 18 | 1,600 | - | 1,600 | - |
| Foreign currency translation reserve | 18 | (44) | (3,208) | - | - |
| Retained earnings | | 106,809 | 23,930 | 72,204 | 5,141 |
| **Total equity attributable to equity holders of the parent** | | **351,251** | **263,358** | **316,690** | **247,777** |
| **Non-controlling interest** | | **4,805** | **16,591** | **-** | **-** |
| **Total equity** | | **356,056** | **279,949** | **316,690** | **247,777** |
| | | | | | |
| **Liabilities** | | | | | |
| **Non-current liabilities** | | | | | |
| Grants and subsidies | 19 | 11,855 | 9,473 | - | - |
| Non-current borrowings | 20 | 36,749 | 28,295 | 4,163 | - |
| Finance lease obligations | 21 | 2,568 | 1,789 | - | - |
| Trade payables | | 1,263 | - | - | |
| Non-current payables to related parties | 33 | 54 | - | 158 | 191 |
| Deferred income tax liability | 29 | 899 | 2,613 | - | 45 |
| Other non-current liabilities | 3 | 280 | 2,329 | - | - |
| **Total non-current liabilities** | | **53,668** | **44,499** | **4,321** | **236** |
| | | | | | |
| **Current liabilities** | | | | | |
| Current portion of non-current borrowings | 20 | 10,075 | 14,814 | - | - |
| Current portion of finance lease obligations | 21 | 1,067 | 1,028 | - | - |
| Current borrowings | 20 | 179,465 | 180,884 | - | 4,163 |
| Trade payables | 23 | 48,994 | 47,280 | - | 31 |
| Payables to related parties | 33 | 3,642 | 5,482 | - | 97 |
| Income tax payable | | 12,812 | 2,933 | 11,185 | - |
| Derivative financial instruments | 16 | 7,572 | 618 | - | - |
| Other current liabilities | 24 | 17,538 | 32,749 | 252 | 154 |
| **Total current liabilities** | | **281,165** | **285,788** | **11,437** | **4,445** |
| **Total equity and liabilities** | | **690,889** | **610,236** | **332,448** | **252,458** |

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

| | | |
|---|---|---|
| Managing Director | Darius Zubas | 25 September 2012 |
| Finance Director | Tomas Tumėnas | 25 September 2012 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Notes | Financial year ended | |
|---|---|---|---|
| | | 30 June 2012 | 30 June 2011 |
| Sales | 4 | 1,337,961 | 1,353,976 |
| Cost of sales | 25 | (1,243,098) | (1,273,007) |
| **Gross profit** | | **94,863** | **80,969** |
| Operating (expenses) | 26 | (48,868) | (65,618) |
| Other income | 27 | 69,919 | 5,116 |
| Other (expenses) | 27 | (1,333) | (5,252) |
| **Operating profit** | | **114,581** | **15,215** |
| Income from financing activities | 28 | 8,030 | 2,779 |
| (Expenses) from financing activities | 28 | (9,779) | (8,278) |
| Share of profit of associates | | - | 63 |
| Share of profit of joint ventures | 8 | 2,744 | 4,743 |
| **Profit before tax** | | **115,576** | **14,522** |
| Income tax | 29 | (21,277) | 4,448 |
| **Net profit** | | **94,299** | **18,970** |
| | | | |
| **Attributable to:** | | | |
| Equity holders of the parent | | 89,394 | 19,563 |
| Non-controlling interest | | 4,905 | (593) |
| | | **94,299** | **18,970** |
| Basic and diluted earnings per share (LTL) | 30 | 0.56 | 0.12 |
| | | | |
| **Net profit** | | **94,299** | **18,970** |
| **Other comprehensive income** | | | |
| Exchange differences on translation of foreign operations | | 3,520 | (5,092) |
| **Total comprehensive income** | | **97,819** | **13,878** |
| | | | |
| **Attributable to:** | | | |
| Equity holders of the parent | | 91,477 | 16,488 |
| Non-controlling interest | | 6,342 | (2,610) |
| | | **97,819** | **13,878** |

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

## COMPANY'S STATEMENT OF COMPREHENSIVE INCOME

| | Notes | Financial year ended | |
|---|---|---|---|
| | | 30 June 2012 | 30 June 2011 |
| Income | 4 | 77,831 | 4,681 |
| Operating (expenses) | 26 | (1,708) | (819) |
| Other income | 27 | 1,913 | - |
| Other (expenses) | | - | - |
| **Operating profit** | | **78,036** | **3,862** |
| Income from financing activities | 28 | 2,277 | 1,079 |
| (Expenses) from financing activities | 28 | (278) | (180) |
| **Profit before tax** | | **80,035** | **4,761** |
| Income tax | 29 | (11,122) | (45) |
| **Net profit** | | **68,913** | **4,716** |
| **Other comprehensive income** | | - | - |
| **Total comprehensive income** | | **68,913** | **4,716** |

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

| | | |
|---|---|---|
| Managing Director | Darius Zubas | 25 September 2012 |
| Finance Director | Tomas Tumėnas | 25 September 2012 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Notes | Equity attributable to equity holders of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **Share capital** | **Share premium** | **Legal reserve** | **Reserve for own shares** | **Foreign currency translation reserve** | **Retained earnings** | **Subtotal** | **Non-controlling interest** | **Total** |
| **Balance as at 1 July 2010** | | **158,940** | **79,545** | **4,100** | **-** | **(133)** | **8,079** | **250,531** | **12,817** | **263,348** |
| Net profit for the year | | - | - | - | - | - | 19,563 | 19,563 | (593) | 18,970 |
| Other comprehensive income | | - | - | - | - | (3,075) | - | (3,075) | (2,017) | (5,092) |
| Total comprehensive income | | - | - | - | - | (3,075) | 19,563 | 16,488 | (2,610) | 13,878 |
| Transfer to legal reserve | | - | - | 51 | - | - | (51) | - | - | - |
| Dividends declared by Rosenkrantz A/S | | - | - | - | - | - | - | - | (611) | (611) |
| Dividends declared by parent | 31 | - | - | - | - | - | (3,500) | (3,500) | - | (3,500) |
| Acquisition of non-controlling interest | 3 | - | - | - | - | - | 416 | 416 | (4,862) | (4,446) |
| Acquisition of subsidiaries | 3 | - | - | - | - | - | - | - | 10,191 | 10,191 |
| Disposal of non-controlling interests | 3 | - | - | - | - | - | (577) | (577) | 1,666 | 1,089 |
| **Balance as at 30 June 2011** | | **158,940** | **79,545** | **4,151** | **-** | **(3,208)** | **23,930** | **263,358** | **16,591** | **279,949** |
| **Balance as at 1 July 2011** | | **158,940** | **79,545** | **4,151** | **-** | **(3,208)** | **23,930** | **263,358** | **16,591** | **279,949** |
| Net profit for the year | | - | - | - | - | - | 89,394 | 89,394 | 4,905 | 94,299 |
| Other comprehensive income | | - | - | - | - | 2,083 | - | 2,083 | 1,437 | 3,520 |
| Total comprehensive income | | - | - | - | - | 2,083 | 89,394 | 91,477 | 6,342 | 97,819 |
| Transfer to legal reserve | | - | - | 250 | - | - | (250) | - | - | - |
| Transfer to reserve for own shares | 18 | - | - | - | 1,600 | - | (1,600) | - | - | - |
| Disposal of subsidiaries | 3 | - | - | - | - | 1,081 | (1,081) | - | (20,780) | (20,780) |
| Expiration of put option | 3 | - | - | - | - | - | 109 | 109 | 1,844 | 1,953 |
| Acquisition of subsidiaries | 3 | - | - | - | - | - | - | - | 81 | 81 |
| Acquisition of non-controlling interests | 3 | - | - | - | - | - | (3,693) | (3,693) | 749 | (2,944) |
| Dividends declared by subsidiaries | | - | - | - | - | - | - | - | (22) | (22) |
| **Balance as at 30 June 2012** | | **158,940** | **79,545** | **4,401** | **1,600** | **(44)** | **106,809** | **351,251** | **4,805** | **356,056** |

*(cont'd on the next page)*

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

## COMPANY'S STATEMENT OF CHANGES IN EQUITY

| | Notes | Share capital | Share premium | Legal reserve | Reserve for own shares | Retained earnings | Total |
|---|---|---|---|---|---|---|---|
| **Balance as at 1 July 2010** | | **158,940** | **79,545** | **4,100** | **-** | **3,976** | **246,561** |
| Net profit for the year | | - | - | - | - | 4,716 | 4,716 |
| Total comprehensive income | | - | - | - | - | 4,716 | 4,716 |
| Transfer to legal reserve | | - | - | 51 | - | (51) | - |
| Dividends declared | | - | - | - | - | (3,500) | (3,500) |
| **Balance as at 30 June 2011** | | **158,940** | **79,545** | **4,151** | **-** | **5,141** | **247,777** |
| | | | | | | | |
| **Balance as at 1 July 2011** | | **158,940** | **79,545** | **4,151** | **-** | **5,141** | **247,777** |
| Net profit for the year | | - | - | - | - | 68,913 | 68,913 |
| Total comprehensive income | | - | - | - | - | 68,913 | 68,913 |
| Transfer to legal reserve | | - | - | 250 | - | (250) | - |
| Transfer to reserve for own shares | 18 | - | - | - | 1,600 | (1,600) | - |
| **Balance as at 30 June 2012** | | **158,940** | **79,545** | **4,401** | **1,600** | **72,204** | **316,690** |

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

| | | |
|---|---|---|
| Managing Director | Darius Zubas | 25 September 2012 |
| Finance Director | Tomas Tumėnas | 25 September 2012 |

## CASH FLOW STATEMENTS

| | Notes | Group | | Company | |
|---|---|---|---|---|---|
| | | Financial year ended | | Financial year ended | |
| | | 30 June 2012 | 30 June 2011 | 30 June 2012 | 30 June 2011 |
| **Cash flows from (to) operating activities** | | | | | |
| Net profit | | 94,299 | 18,970 | 68,913 | 4,716 |
| **Adjustments for non-cash items:** | | | | | |
| Depreciation and amortisation | 5, 6, 7 | 9,890 | 10,347 | 30 | 57 |
| Subsidies amortisation | 19 | (1,328) | (1,375) | - | - |
| Share of profit of associates and joint ventures | 8 | (2,744) | (4,806) | - | - |
| Loss (gain) on disposal of property, plant and equipment | 27 | (289) | 48 | - | - |
| Change in impairment of property, plant and equipment and investment property | 6, 7 | (180) | (586) | - | - |
| Change in impairment of investments | 26 | - | 11 | (431) | (558) |
| Group loss on acquisition of subsidiary | 3, 27 | 1,020 | 670 | - | - |
| (Gain) loss on disposal of subsidiary | 27 | (62,010) | - | (74,391) | 851 |
| (Gain) on disposal of assets held for sale | 27 | (1,060) | - | (2,200) | - |
| Change in allowance for receivables and prepayments | | 3,575 | 18,870 | - | - |
| Inventories write down to net realisable value | 12 | 13 | 32 | - | - |
| Change in accrued expenses | | 3,926 | 1,384 | 168 | 10 |
| Change in fair value of biological assets | 25 | (7,746) | (11,623) | - | - |
| Change in deferred income tax | 29 | 2,009 | (8,596) | (63) | 45 |
| Current income tax expenses | 29 | 19,268 | 4,148 | 11,185 | - |
| Expenses (income) from change in fair value of financial instruments | | 491 | (43) | - | - |
| Change of provision for onerous contracts | 25 | (267) | 267 | - | - |
| Dividend (income) | 4 | (36) | - | (960) | (4,309) |
| Interest (income) | 28 | (8,030) | (2,779) | (2,277) | (1,079) |
| Interest expenses | 28 | 9,779 | 8,277 | 278 | 180 |
| | | 60,580 | 33,216 | 252 | (87) |
| **Changes in working capital:** | | | | | |
| (Increase) decrease in biological assets | | 4,503 | (3,770) | - | - |
| (Increase) decrease in inventories | | (45,273) | (22,355) | - | - |
| (Increase) decrease in prepayments | | 6,990 | (11,439) | (53) | |
| (Increase) decrease in trade and other accounts receivable | | (28,191) | (63,904) | 168 | 100 |
| (Increase) in restricted cash | 16 | (2,072) | (77) | - | - |
| Increase (decrease) in trade and other accounts payable | | 52,522 | 37,664 | (160) | 60 |
| Income tax (paid) | | (5,398) | (3,988) | - | - |
| **Net cash flows from (to) operating activities** | | **43,661** | **(34,653)** | **207** | **73** |

*(cont'd on the next page)*

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

## CASH FLOW STATEMENTS (CONT'D)

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | Financial year ended | | Financial year ended | |
| | Notes | 30 June 2012 | 30 June 2011 | 30 June 2012 | 30 June 2011 |
| **Cash flows from (to) investing activities** | | | | | |
| (Acquisition) of intangible assets, property, plant and equipment and investment property | 5, 6, 7, 8 | (23,111) | (23,766) | - | (45) |
| Proceeds from sale of intangible assets, property, plant and equipment and investment property | | 822 | 916 | - | - |
| Acquisition of subsidiaries (less received cash balance in the Group) | | (873) | 7,407 | (1,368) | (880) |
| Disposal of subsidiaries (less disposed cash balance in the Group) | 3 | 69,759 | 1,089 | 90,754 | 1,089 |
| Disposal of assets held for sale | | 2,000 | - | 2,000 | - |
| (Acquisition) of other investments and held-to-maturity financial assets | 16 | (37,981) | - | (37,981) | - |
| Prepayments for financial assets | 9 | - | (2,223) | - | - |
| Loans (granted) | | (2,121) | (4,626) | (30,113) | (21,000) |
| Repayment of granted loans | | 1,427 | 8,042 | 17,154 | 5,615 |
| Interest received | | 1,681 | 2,406 | 506 | 327 |
| Dividends received | | 97 | 1,500 | 871 | 5,847 |
| **Net cash flows from (to) investing activities** | | **11,700** | **(9,255)** | **41,823** | **(9,047)** |
| | | | | | |
| **Cash flows from (to) financing activities** | | | | | |
| Proceeds from loans | | 131,349 | 74,770 | - | - |
| (Repayment) of loans | | (126,432) | (42,061) | - | (500) |
| Finance lease (payments) | | (1,188) | (1,391) | - | - |
| Interest (paid) | | (11,052) | (8,117) | (160) | (178) |
| Dividends (paid) to non-controlling shareholders | | (22) | (611) | - | - |
| Dividends (paid) | | - | (3,500) | - | (3,500) |
| Acquisition of non-controlling interest | | (872) | (1,572) | - | - |
| **Net cash flows from (to) financing activities** | | **(8,217)** | **17,518** | **(160)** | **(4,178)** |
| | | | | | |
| **Net increase (decrease) in cash and cash equivalents** | | **47,144** | **(26,390)** | **41,870** | **(13,153)** |
| | | | | | |
| **Cash and cash equivalents at the beginning of the year** | 17 | **7,624** | **34,014** | **2,049** | **15,202** |
| **Cash and cash equivalents at the end of the year** | 17 | **54,768** | **7,624** | **43,919** | **2,049** |
| | | | | | |
| **Supplemental information of cash flows:** | | | | | |
| **Non-cash investing activity:** | | | | | |
| Property, plant and equipment acquisitions financed by finance lease | | 2,006 | 1,701 | - | - |
| Property, plant and equipment acquisitions financed by grants and subsidies | 19 | 4,153 | 740 | - | - |
| Unpaid acquisition of property, plant and equipment and / or acquisitions netted with prepayments | | 4,699 | - | - | |

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

| | | |
|---|---|---|
| Managing Director | Darius Zubas | 25 September 2012 |
| Finance Director | Tomas Tumėnas | 25 September 2012 |

# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

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

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

The Company is a holding Company and its main activity is related to holding activities: rendering business management services and legal consultations to subsidiaries and other related parties and lease of property, plant and equipment.

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

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

As at 30 June 2012 and 30 June 2011 the shareholders of the Company were:

| | As at 30 June 2012 | | As at 30 June 2011 | |
|---|---|---|---|---|
| | Number of shares held | Percentage | Number of shares held | Percentage |
| Akola ApS (Denmark) | 86,081,551 | 54.16% | 86,081,551 | 54.16% |
| Skandinaviska Enskilda Banken AB (Sweden) | 23,094,969 | 14.53% | 21,221,849 | 13.35% |
| Darius Zubas | 17,049,995 | 10.73% | 17,049,995 | 10.73% |
| Swedbank AS (Estonia) clients | 9,184,040 | 5.78% | 9,816,217 | 6.18% |
| Other shareholders (private and institutional investors) | 23,529,843 | 14.80% | 24,770,786 | 15.58% |
| Total | 158,940,398 | 100.00% | 158,940,398 | 100.00% |

All the shares of the Company are ordinary shares with the par value of LTL 1 each as at 30 June 2012 and 30 June 2011 and were fully paid as at 30 June 2012 and 30 June 2011. The Company, its subsidiaries and other related companies did not hold any shares of the Company as at 30 June 2012 and 30 June 2011.

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

As at 30 June 2012 and 30 June 2011 the number of employees of the Group was 595 and 775, respectively.
As at 30 June 2012 and 30 June 2011 the number of employees of the Company was 9.

The Company's management approved these financial statements on 25 September 2012. The shareholders of the Company have a statutory right to approve these financial statements or not to approve them and to require preparation of a new set of financial statements.

No changes in share capital occurred during the year ending 30 June 2012 and 30 June 2011.

## 2. ACCOUNTING POLICIES

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

The principal accounting policies adopted in preparing the Group's financial statements for the year ended 30 June 2012 are as follows:

# 2. ACCOUNTING POLICIES (CONT'D)

## 2.1. BASIS OF PREPARATION

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

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

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

During the year the Group has adopted amendment to IFRS 7 *Financial Instruments* - Enhanced Derecognition Disclosure Requirements. The amendment did not impact the financial statements of the Group, because the Group did not have transactions addressed by these changes.

***Standards issued but not yet effective***

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

Amendment to IAS 1 *Financial Statement Presentation* - Presentation of Items of Other Comprehensive Income (OCI) (effective for financial years beginning on or after 1 July 2012, once endorsed by the EU)

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance. The Group has not yet evaluated the impact of the implementation of this amendment.

Amendment *to IAS 12 Deferred tax* - Recovery of Underlying Assets (effective for financial years beginning on or after 1 January 2012, once endorsed by the EU)

The amendment provides a practical solution to the problem of determining whether an entity that is measuring deferred tax related to investment property, measured using the fair value model, expects to recover the carrying amount of the investment property through use or sale by introducing a presumption that recovery of the carrying amount will normally be through sale. These changes will have no effect on the financial statements of the Group, as its investment properties are accounted using cost method.

Amendment to IAS 19 *Employee Benefits* (effective for financial years beginning on or after 1 January 2013)

The amended IAS 19 proposes major changes to the accounting for employee benefits, including the removal of the option for deferred recognition of changes in pension plan assets and liabilities (known as the "corridor approach"). The result is greater balance sheet volatility for those entities currently applying the corridor approach. These amendments will limit the changes in the net pension asset (liability) recognised in profit or loss to net interest income (expense) and service costs. Expected returns on plan assets will be replaced by a credit to income based on the corporate bond yield rate. In addition, the revised standard requires immediate recognition of past service costs as a result of plan amendments (in the income statement) and requires termination benefits to be recognised only when the offer becomes legally binding and cannot be withdrawn. These changes will have no effect on the financial statements of the Group, as they do not have established pension plan.

Amendment to IAS 27 *Separate Financial Statements* (effective for financial years beginning on or after 1 January 2013, once endorsed by the EU)

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

# 2. ACCOUNTING POLICIES (CONT'D)

## 2.1. BASIS OF PREPARATION (CONT'D)

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

Amendment to IAS 28 *Investments in Associates and Joint Ventures* (effective for financial years beginning on or after 1 January 2013, once endorsed by the EU)

As a result of the new standards IFRS 10, IFRS 11 and IFRS 12 this standard was amended to prescribe the accounting for investments in associates and set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Group has not yet evaluated the impact of the implementation of this amendment.

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

This amendment clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarifies the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments to IAS 32 are to be retrospectively applied. Earlier application is permitted. If an entity chooses to early adopt, it must disclose that fact and also make the disclosures required by the amendment to IFRS 7 Offsetting Financial Assets and Financial Liabilities. The Group has not yet evaluated the impact of the implementation of this amendment.

Amendment to IFRS 7 *Financial Instruments: Disclosures* - Offsetting Financial Assets and Financial Liabilities (effective for financial years beginning on or after 1 January 2013, once endorsed by the EU)

The amendment introduces common disclosure requirements. These disclosures would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position. The amendments to IFRS 7 are to be retrospectively applied. The Group has not yet evaluated the impact of the implementation of this amendment.

IFRS 9 *Financial Instruments* – Classification and Measurement (effective for financial years beginning on or after 1 January 2015, once endorsed by the EU)

IFRS 9 will eventually replace IAS 39. The IASB has issued the first two parts of the standard, establishing a new classification and measurement framework for financial assets and requirements on the accounting for financial liabilities. The Group has not yet evaluated the impact of the implementation of this standard.

IFRS 10 *Consolidated Financial Statements* (effective for financial years beginning on or after 1 January 2013, once endorsed by the EU)

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

IFRS 11 *Joint Arrangements* (effective for financial years beginning on or after 1 January 2013, once endorsed by the EU)

IFRS 11 eliminates proportionate consolidation of jointly controlled entities. Under IFRS 11, jointly controlled entities, if classified as joint ventures (a newly defined term), must be accounted for using the equity method. Additionally, jointly controlled assets and operations are joint operations under IFRS 11, and the accounting for those arrangements will generally be consistent with today's accounting. That is, the entity will continue to recognize its relative share of assets, liabilities, revenues and expenses. These changes will have no effect on the financial statements of the Group, as its investments in joint ventures are accounted using equity method.

# 2. ACCOUNTING POLICIES (CONT'D)

## 2.1. BASIS OF PREPARATION (CONT'D)

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

IFRS 12 *Disclosures of Interests in Other Entities* (effective for financial years beginning on or after 1 January 2013, once endorsed by the EU)

IFRS 12 combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, investments in associates and structured entities into one comprehensive disclosure standard. A number of new disclosures also will be required such as disclosing the judgments made to determine control over another entity. The Group has not yet evaluated the impact of the implementation of this standard.

IFRS 13 *Fair Value Measurement* (effective for financial years beginning on or after 1 January 2013, once endorsed by the EU)

The main reason of issuance of IFRS 13 is to reduce complexity and improve consistency in application when measuring fair value. It does not change when an entity is required to use fair value but, rather, provides guidance on how to measure fair value under IFRS when fair value is required or permitted by IFRS. This standard should be applied prospectively and early adoption is permitted. The Group is in the process of assessing the impact of the new standard on the financial position or performance of the Group.

Improvements to IFRSs (effective for financial years beginning on or after 1 January 2013, once endorsed by the EU)

In May 2012 IASB issued omnibus of necessary, but non-urgent amendments to its five standards:
- IFRS 1 *First-time adoption of IFRS*;
- IAS 1 *Presentation of Financial Statements*;
- IAS 16 *Property, Plant and Equipment*;
- IAS 32 *Financial instruments: Presentation*;
- IAS 34 *Interim Financial Reporting*.

The amendments are applied retrospectively. The adoption of these amendments may result in changes to accounting policies but will not have any impact on the financial position or performance of the Group.

IFRIC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine* (effective for financial years beginning on or after 1 January 2013, once endorsed by the EU)

This interpretation only applies to stripping costs incurred in surface mining activity during the production phase of the mine ('production stripping costs'). Costs incurred in undertaking stripping activities are considered to create two possible benefits a) the production of inventory in the current period and/or b) improved access to ore to be mined in a future period (striping activity asset). Where cost cannot be specifically allocated between the inventory produced during the period and the stripping activity asset, IFRIC 20 requires an entity to use an allocation basis that is based on a relevant production measure. Interpretation will have no impact on the Group's financial statements, as the Group is not involved in mining activity.

The Group plans to adopt the above mentioned standards and interpretations on their effectiveness date if they are adopted by the EU.

# 2. ACCOUNTING POLICIES (CONT'D)

## 2.2. FUNCTIONAL AND PRESENTATION CURRENCY

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

Transactions in foreign currencies are initially recorded in the functional currency as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange as at the date of the statement of financial position.

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

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

## 2.3. PRINCIPLES OF CONSOLIDATION

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

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

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

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

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

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. 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.

## 2. ACCOUNTING POLICIES (CONT'D)

### 2.3. PRINCIPLES OF CONSOLIDATION (CONT'D)

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.

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

### 2.4. INVESTMENTS INTO ASSOCIATES

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

Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

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

### 2.5. INVESTMENTS INTO JOINT VENTURES

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

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

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

## 2. ACCOUNTING POLICIES (CONT'D)

### 2.6. INTANGIBLE ASSETS OTHER THAN GOODWILL

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

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

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

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

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

*Licenses*

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

*Software*

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

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

### 2.7. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

## 2. ACCOUNTING POLICIES (CONT'D)

### 2.7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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

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

### 2.8. INVESTMENT PROPERTY

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

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

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

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

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

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

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

*Financial assets at fair value through profit or loss*

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

*Held-to-maturity investments*

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

*Loans and receivables*

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

# 2. ACCOUNTING POLICIES (CONT'D)

## 2.9 FINANCIAL ASSETS (EXCEPT FOR DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS HEDGING INSTRUMENTS) (CONT'D)

Allowance for doubtful receivables is evaluated when there are indications leading to the impairment of accounts receivable. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised (written off) when they are assessed as uncollectible.

*Available-for-sale financial assets*

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

## 2.10. DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

*Financial assets*

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

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

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

*Financial liabilities*

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

## 2.11. BIOLOGICAL ASSETS

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

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

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

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

# 2. ACCOUNTING POLICIES (CONT'D)

## 2.12. INVENTORIES

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

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

## 2.13. CASH AND CASH EQUIVALENTS

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

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

## 2.14. NON-CURRENT ASSETS HELD FOR SALE

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

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

## 2.15. FINANCIAL LIABILITIES

### *Interest bearing loans and borrowings*

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

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. Other borrowing costs are expensed as incurred. The Group capitalises borrowing costs for all eligible assets where construction was commenced on or after 1 July 2009.

Borrowings are classified as non-current if the completion of a refinancing agreement before the reporting date provides evidence that the substance of the liability at the reporting date was non-current.

### *Factoring*

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

# 2. ACCOUNTING POLICIES (CONT'D)

## 2.15 FINANCIAL LIABILITIES (CONT'D)

*Financial guarantee contracts*

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

*Trade liabilities*

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

## 2.16. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Group engages in derivative financial instruments transactions, such as futures contracts, to hedge purchase price fluctuation risk. On the agreement date and subsequently derivative financial instruments are accounted for at fair value. Fair value is derived from quoted market prices. The estimated fair values of these contracts are reported in the statement of financial position as assets for contracts having a positive fair value and liabilities for contracts with a negative fair value. Gain or losses from changes in the fair value of derivative financial instruments are recognised in the income statement.

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

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

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

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

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

# 2. ACCOUNTING POLICIES (CONT'D)

## 2.17. FINANCE AND OPERATING LEASE OBLIGATIONS

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

*Finance lease – the Group as a lessee*

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

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

*Operating lease – the Group as a lessee*

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

*Operating lease – the Group as a lessor*

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

## 2.18. SHARE CAPITAL

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

## 2.19. PROVISIONS

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

*Onerous contracts provision*

Onerous contracts provision is recognised when the Group has a present obligation (legal or constructive) to purchase the goods from a third party in the future for a price higher than the market selling price at the reporting date or to sell the goods to a third party in the future for a price lower than the market purchase price at the reporting date. The difference between the value of the contract and its market price at the reporting date is charged to cost of sales in the income statement.

# 2. ACCOUNTING POLICIES (CONT'D)

## 2.20. NON-CURRENT EMPLOYEE BENEFITS

According to the requirements of Lithuanian Labour Code, each employee leaving the Group at the age of retirement is entitled to a one-off payment in the amount of 2 months' salary.

Current year cost of employee benefits is recognised as incurred in the income statement. 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 income statement as incurred.

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

## 2.21. PUT OPTION OVER NON-CONTROLLING INTEREST

Put options granted to non-controlling interests give rise to a financial liability, which are measured at the present value of the redemption amount. The Group has chosen the "Partial recognition of non-controlling interest" accounting method since the Group does not have a present ownership interest in the shares concerned, and concludes that IAS 27 initially takes precedence. Under this approach, while the put option remains unexercised, the accounting at the end of each reporting period is as follows:

1. the Group determines the amount that would have been recognised for the non-controlling interest, including an update to reflect its share of profits and losses (and other changes in equity) of the acquiree for the period, as required by IAS 27;
2. the Group de-recognises the non-controlling interest;
3. the Group recognises a financial liability in accordance with IAS 39; and
4. the entity accounts for the difference between (2) and (3) as a change in the non-controlling interest as an equity transaction.

If the put option is exercised, the same treatment is applied up to the date of exercise. The amount recognised as the financial liability at that date is extinguished by the payment of the exercise price. If the put option expires unexercised, the non-controlling interest is recognised as though the put option had never been granted (i.e., measured at the date of the business combination) and the financial liability is derecognised, with a corresponding credit to the same component of equity.

## 2.22. SHARE-BASED PAYMENT TRANSACTIONS

Certain Group managers received remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, the unidentified goods or services received (or to be received) are measured as the difference between the fair value of the share-based payment transaction and the fair value of any identifiable goods or services received at the grant date. This is then capitalised to the cost of investment in the Parents financial statements or expensed in the Consolidated Group accounts.

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest (Note 3).

# 2. ACCOUNTING POLICIES (CONT'D)

## 2.23. GRANTS AND SUBSIDIES

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

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

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

## 2.24. INCOME TAX

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

In the year ended 30 June 2012 and 30 June 2011 the standard income tax rate for the Group companies operating in Lithuania was – 15%.

Certain tax provisions are applicable to the agricultural entities: if the share of agricultural products supplied and services provided to the entities engaged in agricultural activities exceeded 50% of the total sales of the legal entities producing agricultural products and specialised service companies, these entities are subject to reduced income tax of 5%. The entities of the Group which are subject to reduced income tax are Šakiai district Lukšių ŽŪB, Sidabravo ŽŪB, Biržai district Medeikių ŽŪB, Panevėžys district Aukštadvario ŽŪB, Užupės ŽŪB.

For companies operating in Lithuania tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the company changes its activities due to which these losses were incurred except when the company does not continue its activities due to reasons which do not depend on the company itself. The losses from disposal of securities and/or derivative financial instruments not designated for hedge (as described in note 2.16) can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature. For companies operating in Latvia tax losses can be carried forward for 8 years period. For companies operating in Denmark and Ukraine tax losses can be carried forward for indefinite period.

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

| | **Financial year ended** | |
|---|---|---|
| | **30 June 2012** | **30 June 2011** |
| Republic of Latvia | 15% | 15% |
| Republic of Ukraine* | 21% | 23% |
| Kingdom of Denmark | 25% | 25% |

**Effective from 1 January 2012, the corporate income tax rate is 21%.*

## 2. ACCOUNTING POLICIES (CONT'D)

### 2.24. INCOME TAX (CONT'D)

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

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

### 2.25. REVENUE RECOGNITION

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

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

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

Revenue from services is recognised when services are rendered.

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

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

*Revenue recognition gross versus net*

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

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

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

## 2. ACCOUNTING POLICIES (CONT'D)

### 2.26. EXPENSE RECOGNITION

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

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

### 2.27. IMPAIRMENT OF ASSETS

*Financial assets*

Financial assets are reviewed for impairment at each reporting date.

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

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

*Other assets*

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

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

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

### 2.28. SEGMENT INFORMATION

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

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

# 2. ACCOUNTING POLICIES (CONT'D)

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

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

*Significant accounting judgments*

The significant areas of judgment used in the preparation of these financial statements are described below.

*Accounting for trading contracts*

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

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

Within its agricultural inputs segment, the Group is engaged in selling fertilisers and plant protection products to agricultural produce growers as well as pays on behalf of agricultural produce growers to suppliers of seeds or directly pays to agricultural produce growers (Notes 13 and 14). The balances arising from these transactions are non-interest bearing and are generally settled within 120 - 360 days by delivering grain to the Group. These transactions constitute common arrangements in the industry, they are entered into between distributors and agricultural produce growers under similar terms, and usual settlement is by delivery of grain, as opposed to an unconditional right to receive cash; therefore, no discounting is performed on these balances. Trade receivables arising on sales of fertilisers and plant protection products are presented within trade receivables caption in the statement of financial position, while payments on behalf of agricultural produce growers, which do not derive from sales transactions, are presented as prepayments in the statement of financial position.

*Significant accounting estimates*

The significant areas of estimation used in the preparation of the accompanying financial statements relate to depreciation (Notes 2.7, 2.8, 6 and 7), fair value estimation of biological assets (Note 11) and impairment evaluation (Notes 2.27, 3, 6, 7, 9, 10, 12, 13, 14 and 15). Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

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

*Valuation of biological assets*

As at 30 June 2012 and 30 June 2011 the Group did not have an independent appraisal of its biological assets. According to IFRS, such assets must be recorded at market value. Biological assets consist of two groups: animals and livestock and crops which are accounted for at fair value less costs to sell (Note 2.11).

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

# 2. ACCOUNTING POLICIES (CONT'D)

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

*Valuation of biological assets (cont'd)*

Milking cows

As at 30 June 2012 the key assumptions used to determine fair value of milking cows are the estimated gross margin (23% for the year ending 30 June 2013 and 28% for the year ending 30 June 2014) used to calculate the expected future cash inflows as well as pre-tax discount rate (11%). As at 30 June 2011 the key assumptions used to determine fair value of milking cows are the estimated gross margin (32% for the year ending 30 June 2012 and 35% for the year ending 30 June 2013) used to calculate the expected future cash inflows as well as pre-tax discount rate (11%).

The following table demonstrates the sensitivity of the fair value of milking cows to a reasonably possible change in key assumptions:

| | 30 June 2012 | | 30 June 2011 | |
|---|---|---|---|---|
| | **Possible change** | **Effect on fair value** | **Possible change** | **Effect on fair value** |
| Gross margin | + 3% | 743 | + 3% | 781 |
| Gross margin | - 3% | (743) | - 3% | (781) |
| Discount rate | + 1% | (118) | + 1% | (130) |
| Discount rate | - 1% | 97 | - 1% | 132 |

Crops

As at 30 June 2012 the key assumptions used to determine fair value of crops are the estimated yield ranges depending on the type of crops (2.46 – 6.25 tones/ha for the year ending 30 June 2012 and 1.97 – 4.89 tones/ha for the year ending 30 June 2011) and the expected sales price, which was based on the estimated future grain and oilseeds sales price of the deliveries taking place September – December of respective year.

*Impairment of property, plant and equipment (excluding land)*

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

As at 30 June 2012 and 30 June 2011 there were no reasonably possible changes in the key assumptions which would cause the carrying amount of property, plant and equipment to exceed its recoverable amount, except for already impaired assets.

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

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

*Impairment of the Company's investments*

As at 30 June 2012 and 30 June 2011 the Company has investments in subsidiaries, associates and joint ventures. As at 30 June 2012 and 30 June 2011 the Company made an assessment whether the value of the investments should be impaired. The recoverable amount of investment in AB Linas Agro was determined based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the forecast for the next five years and do not include restructuring activities that AB Linas Agro is not yet committed to or significant future investments that will enhance the asset base of the investee being tested.

## 2. ACCOUNTING POLICIES (CONT'D)

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

*Impairment of the Company's investments (cont'd)*

As at 30 June 2012 and 30 June 2011 the recoverable amount of the investment into AB Linas Agro is most sensitive to the pre-tax discount rate (12.4% and 13.5%, respectively) used for the discounted cash flow model as well as the expected future cash inflows and the growth rate (2%) used for extrapolation purposes.

As at 30 June 2012 and 30 June 2011 there were no reasonably possible changes in the key assumptions which would cause the carrying amount of the investment into AB Linas Agro to exceed its recoverable amount.

Where necessary, the Company also performed an impairment test for other investments in subsidiaries, associates and joint ventures using possible selling prices method. According to the test performed as at 30 June 2012 and 30 June 2011 the Company accounted for impairment so as the carrying amount of the investments would not exceed their respective recoverable amounts (Note 3).

### 2.30. CONTINGENCIES

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

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

### 2.31. SUBSEQUENT EVENTS

Post-balance sheet events that provide additional information about the Group's position at the reporting 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.

### 2.32. OFFSETTING AND COMPARATIVE FIGURES

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

Where necessary, comparative figures have been adjusted to correspond to the presentation of the current year.

## 3. GROUP STRUCTURE AND CHANGES IN THE GROUP

As at 30 June 2012 and 30 June 2011 the Company held these directly and indirectly controlled subsidiaries (hereinafter the Group):

| | | Effective share of the stock held by the Group | | Cost of investment in the Company | | | | |
|---|---|---|---|---|---|---|---|---|
| | Place of regist-ration | 30 June 2012 | 30 June 2011 | 30 June 2012 | 30 June 2011 | Profit (loss) for the year ended 30 June 2012 | Equity as of 30 June 2012 | Main activities |
| **Investments into directly controlled subsidiaries** | | | | | | | | |
| AB Linas Agro | Lithuania | 100% | 100% | 195,277 | 181,277 | 15,360 | 143,468 | Wholesale trade of grains and oilseeds, feedstuffs and agricultural programs |
| UAB Linas Agro Konsultacijos | Lithuania | 100% | 100% | 3,132 | 3,132 | 1,559 | 6,208 | Management of the subsidiaries engaged in agriculture |
| ŽŪB Landvesta 1 | Lithuania | 100% | 100% | 900 | 788 | 192 | 1,254 | Rent and management of agricultural purposes land |
| ŽŪB Landvesta 2 | Lithuania | 100% | 100% | 1,443 | 786 | 13 | 729 | Rent and management of agricultural purposes land |
| ŽŪB Landvesta 3 | Lithuania | 100% | 100% | 689 | 689 | 33 | 133 | Rent and management of agricultural purposes land |
| ŽŪB Landvesta 4 | Lithuania | 100% | 100% | 367 | 326 | 1 | (66) | Rent and management of agricultural purposes land |
| ŽŪB Landvesta 5 | Lithuania | 100% | 100% | 975 | 454 | 137 | 716 | Rent and management of agricultural purposes land |
| ŽŪB Landvesta 6 | Lithuania | 100% | 100% | 276 | 240 | 66 | 14 | Rent and management of agricultural purposes land |
| PJ-SC UKRAGRO NPK | Ukraine | - | 58.04% | - | 16,363 | 11,576 | - | Manufacturing of fertilizers, wholesale of grains and oilseeds |
| | | | | 203,059 | 204,055 | | | |
| | Less: allowances for impairment | | | (195) | (626) | | | |
| | | | | 202,864 | 203,429 | | | |
| **Investments into indirectly controlled subsidiaries (through AB Linas Agro)** | | | | | | | | |
| SIA Linas Agro | Latvia | 100% | 100% | - | - | (848) | 6,688 | Wholesale trade of grains and oilseeds, agricultural programs |
| UAB Gerera | Lithuania | 100% | 100% | - | - | (10) | 200 | Not operating company |
| UAB Linas Agro Grūdų Centras | Lithuania | 100% | 100% | - | - | (84) | 275 | Management services |
| UAB Linas Agro Grūdų Centras KŪB | Lithuania | 100% | 100% | - | - | 5,729 | 46,370 | Preparation and warehousing of grains for trade |
| Linas Agro A/S | Denmark | 100% | 60% | - | - | 2,922 | 5,374 | Wholesale trade of grains and oilseeds, feedstuffs |
| UAB Lignineko | Lithuania | 100% | 100% | - | - | (407) | 397 | Manufacturing of lignin |
| **Investments into indirectly controlled subsidiaries (through UAB Linas Agro Konsultacijos)** | | | | | | | | |
| ŽŪK KUPIŠKIO GRŪDAI | Lithuania | 96.16% | 92.88% | - | - | 227 | 2,063 | Preparation and warehousing of grains for trade |
| Biržai district Medeikių ŽŪB | Lithuania | 98.39% | 98.36% | - | - | 1,550 | 7,255 | Growing and sale of crops |
| Šakiai district Lukšių ŽŪB | Lithuania | 98.80% | 98.37% | - | - | 2,446 | 25,239 | Mixed agricultural activities |
| Panevėžys district Aukštadvario ŽŪB | Lithuania | 96.76% | 65.35% | - | - | 1,363 | 8,164 | Mixed agricultural activities |
| Sidabravo ŽŪB | Lithuania | 70.28% | 66.22% | - | - | 1,360 | 10,092 | Mixed agricultural activities |
| Užupės ŽŪB | Lithuania | 100% | 70% | - | - | 798 | 1,135 | Growing and sale of crops |
| UAB Edfermus 2 | Lithuania | 100% | - | | | - | (53) | Rent and management of agricultural purposes land |

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

| | | Effective share of the stock held by the Group | | Cost of investment in the Company | | | | |
|---|---|---|---|---|---|---|---|---|
| | Place of regist-ration | 30 June 2012 | 30 June 2011 | 30 June 2012 | 30 June 2011 | Profit (loss) for the year ended 30 June 2012 | Equity as of 30 June 2012 | Main activities |
| **Investment into indirectly controlled subsidiary (through UAB Linas Agro Grūdų centras KŪB)** | | | | | | | | |
| Karčemos KB | Lithuania | 20%* | - | - | - | (94) | 8 | Preparation and warehousing of grains for trade |

** The Group indirectly controls 20% of shares of Karčemos KB, however, the Group has control over this entity and, therefore, it has been consolidated when preparing these financial statements.*

### *Changes in the Group during the year ended 30 June 2012*

On 1 July 2011 the Group company Rosenkrantz A/S (registered and operating in Denmark) changed its name to Linas Agro A/S.

On 1 July 2011 the Group acquired additional 40% interest of the voting shares of Linas Agro A/S, increasing its ownership interest to 100%. Purchase price EUR 800 thousand (LTL 2,762 thousand equivalent) will be paid by schedule till 15 July 2014. The difference of LTL 7,129 thousand of loss between the consideration transferred and the carrying value of the interest acquired has been recognised within equity.

As part of the purchase agreement a contingent consideration has been agreed with the previous owner of Linas Agro A/S. There will be additional cash payment to the previous owner amounting to maximum EUR 400 thousand (undiscounted). Contingent consideration is related to collection of doubtful Linas Agro A/S trade receivables. The due date of contingent consideration arrangement is 1 October 2014.

The potential undiscounted amount of all future payments that the Group could be required to make under the contingent consideration arrangement is between EUR 0 and EUR 400 thousand. The fair value of contingent consideration arrangement is equal to zero as at 30 June 2012.

On 6 February 2012 the Company sold all shares of PC-JS UKRAGRO NPK. A difference between the sales consideration and the net assets disposed at the disposal date is the following:

| | 31 January 2012 |
|---|---|
| Non-current assets | 22,265 |
| Current assets | 92,175 |
| Liabilities | (64,916) |
| Net asset of subsidiary sold | 49,524 |
| Non-controlling interest | 20,780 |
| Net assets sold by the Group | 28,744 |
| Sales price (received in cash) | 90,754 |
| **Gain on disposal of subsidiary in the Group*** | **62,010** |
| Cash disposed in the subsidiary | 20,995 |
| **Sales price less cash disposed** | **69,759** |

**Recorded under other income caption in Group's statement of comprehensive income.*

The Shareholders' agreement between AB Linas Agro Group and PC-JS UKRAGRO NPK non-controlling shareholders expired on 6 February 2012, according to which the Company had an obligation to acquire the shares of PC-JS UKRAGRO NPK from the non-controlling shareholders, if put option is exercised. The non-controlling interest was recognised as though the put option had never been granted and the financial liability was derecognised, with a corresponding credit to the same component of equity.

During the year ended 30 June 2012 the Group acquired 0.43% of Šakiai district Lukšių ŽŪB share capital for LTL 14 thousand, 0.03% Biržai district Medeikių ŽŪB share capital for LTL 1 thousand, 31.41% Panevėžys district Aukštadvario ŽŪB share capital for LTL 143 thousand, 30% Užupės ŽŪB share capital for LTL 3 thousand, 4.06% Sidabravo ŽŪB share capital for LTL 21 thousand. All the shares were acquired from the non-controlling shareholders. The difference of LTL 3,375 thousand of gain between the consideration transferred and the carrying value of the interest acquired has been recognised within equity.

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

Acquisition of non-controlling interest in Šakiai district Lukšių ŽŪB, Biržai district Medeikių ŽŪB, Panevėžys district Aukštadvario ŽŪB and Sidabravo ŽŪB have resulted in increase of effective Group ownership of ŽŪK KUPIŠKIO GRŪDAI by 3.28% up to 96.16% as at 30 June 2012 with a result of LTL 61 thousand of gain accounted directly in equity.

During the year ended 30 June 2012 the Group acquired 100% UAB Edfermus 2 share capital for LTL 10 thousand and 20% of Karčemos KB for LTL 977 thousand. Difference between the fair value of net assets acquired of both entities and consideration paid in amount of LTL 1,020 thousand was recorded directly in the income statement, as amount is considered by the management as immaterial.

During the year ended 30 June 2012 the Company increased share capital of AB Linas Agro by LTL 14,000 thousand. The company also increased share capital of ŽŪB Landvesta 1, ŽŪB Landvesta 2, ŽŪB Landvesta 4, ŽŪB Landvesta 5, ŽŪB Landvesta 6 by LTL 1,367 thousand.

### *Changes in the Group during the year ended 30 June 2011*

On 1 July 2010 the Company acquired additional 50% shares of PC-JS UKRAGRO NPK for EUR 3,694 thousand (LTL 12,757 thousand equivalent) from UAB Arvi ir Ko. After the share acquisition the Group directly controlled 63.38% of the investee. The mentioned company was consolidated to the Group from 1 July 2010 until 31 January 2012.

At the acquisition date the fair value was higher than the carrying value of the net assets by LTL 9,029 thousand representing the differences on non-current assets. Differences between the purchase consideration and fair values of the acquired assets, liabilities and contingent liabilities at the acquisition date were the following:

| **Acquisition date** | **1 July 2010** |
|---|---|
| Non-current assets | 16,442 |
| Inventories | 46,735 |
| Prepayments and other current assets | 27,676 |
| Cash and cash equivalents | 7,407 |
| **Total assets** | **98,260** |
| Deferred tax liability | (3,090) |
| Interest bearing financial liabilities | (54,445) |
| Trade payables | (8,417) |
| Other current liabilities | (4,488) |
| **Total liabilities** | **(70,440)** |
| **Total identifiable net assets at fair value** | **27,820** |
| Attributable to non-controlling interests | 10,188 |
| Attributable to the equity holders of the parent | 17,632 |
| Acquisition date fair value of initially held equity interest | 3,414 |
| Cost | (5,545) |
| Group (loss) on remeasuring to fair value the initially held equity interest | (2,131) |
| Consideration transferred | 12,757 |
| Fair value of initially held equity interest | 3,414 |
| **Total fair value of investment** | **16,171** |
| Gain from a bargain purchase | 1,461 |
| Group (loss) on remeasuring to fair value the initially held equity interest | (2,131) |
| **(Loss) recognized on acquisition of subsidiary, recognised under Other (expenses) (Note 27)** | **(670)** |
| Purchase consideration* | 12,757 |
| Less: cash acquired | 7,407 |
| **Total purchase consideration, net of cash acquired** | **5,350** |
| Revenue for the year ended 30 June 2011 | 356,027 |
| Profit for the year ended 30 June 2011 | 11,786 |

**As at 30 June 2010 the Company accounted for prepayment amounting to LTL 12,757 thousand made for the acquisition of additional 50% shares of PJ-SC UKRAGRO NPK.*

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

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of the value of the net identifiable assets acquired.

The acquisition resulted in LTL 1,461 thousand gain. The entity is not listed and no active market for fair value estimation exists. The sales price of the shares was determined by the previous equity interest holders. The gain from transaction resulted due to the fact that the sales price of the business was determined based on the historic EBITDA, which was relatively low due to the economic slowdown in the year, preceding to the acquisition.

On 27 July 2010 Biržai district Medeikių ŽŪB has acquired additional 36.36% shares of ŽŪK KUPIŠKIO GRŪDAI for LTL 920 thousand.
On 18 October 2010 AB Linas Agro has acquired additional 18.18% shares of ŽŪK KUPIŠKIO GRŪDAI for LTL 460 thousand.
After the acquisition the effective share of ŽŪK KUPIŠKIO GRŪDAI owned by the Group increased from 37.24% to 92.88%.
The difference of LTL 303 thousand between the consideration transferred and the carrying value of the interest acquired has been recognised within equity due to the below mentioned reasons.

On 1 July 2008 the Group companies signed a shareholders' agreement with the members of ŽŪK KUPIŠKIO GRŪDAI. The total shareholding of the members that entered into the agreement is 63.63%. According to the clauses of the agreement AB Linas Agro obtained control over ŽŪK KUPIŠKIO GRŪDAI's operations and financial decisions and as a result of the agreement of the other shareholders to transfer their rights to appoint the board of directors. AB Linas Agro was able to appoint the chairman and the majority of the board members of ŽŪK Kupiškio Grūdai and, therefore, the mentioned company is consolidated to the Group from 1 July 2008. After the above described acquisition the shareholder agreement was terminated (as at 7 October 2010), however, the control remained within the Group and investment remained consolidated.

As at 30 December 2010 and 10 January 2011 the Company sold 2.34% and 3% of PJ-SC UKRAGRO NPK shares for LTL 477 thousand and LTL 612 thousand, respectively, to the management of PJ-SC UKRAGRO NPK. For the Group consolidation purposes the difference of LTL 577 thousand between the considerations received and the carrying value of the interest disposed has been recognised within equity. The Company recognised LTL 851 thousand loss from the transaction (Note 26).

In addition, AB Linas Agro Group entered to the Shareholders' agreement with the non-controlling shareholders of its subsidiary. According to the agreement AB Linas Agro Group has an obligation to acquire the shares from the non-controlling shareholders, if put option is exercised. The Group has accounted the financial liability amounting to LTL 1,953 thousand under other non-current liabilities as at 30 June 2011 in relation to this and accounted for the difference of LTL 109 thousand between the liability and the derecognised non-controlling interest in equity. The parent did not account for the option as the intrinsic value of the option was close to zero.

On 6 April 2011 UAB Linas Agro Konsultacijos together with other shareholders established new subsidiary Užupės ŽŪB. The total share capital of the company is LTL 10 thousand. The effective share of the stock held by the Group is 70%.

During the year ended 30 June 2011 the Group acquired 4.44% of Šakiai district Lukšių ŽŪB share capital for LTL 139 thousand, 10.32% of Sidabravo ŽŪB share capital for LTL 53 thousand. All the shares were acquired from the non-controlling shareholders.
UAB Linas Agro Konsultacijos increased Biržai district Medeikių ŽŪB share capital by LTL 920 thousand. Due to the changes in the shareholders of Biržai district Medeikių ŽŪB the effective Group ownership increased from 96.54% to 98.36%. The difference of LTL 828 thousand between the consideration transferred and the carrying value of the interests acquired has been recognised within equity.

During year ended 30 June 2011 the Company increased share capital of AB Linas Agro and UAB Linas Agro Konsultacijos by LTL 24,000 thousand and LTL 1,109 thousand, respectively. The Company also increased share capital ŽŪB Landvesta 1, ŽŪB Landvesta 2, ŽŪB Landvesta 4, ŽŪB Landvesta 5 and ŽŪB Landvesta 6 by LTL 691 thousand.

## 4. SEGMENT INFORMATION

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

- the grains and oilseeds segment includes trade in wheat, rapeseed, barley and other grains and oilseeds;
- the feedstuffs segment includes trade in suncake and sunmeal, sugar beat pulp, soybean and soymeal, vegetable oil, rapecake and other feedstuffs;
- the agricultural inputs segment includes sales of fertilizers, seeds, plant protection products and other related products to agricultural produce growers;
- the farming segment includes growing of grains, rapeseed and others as well as sales of harvest, breeding of livestock and sales of milk and livestock. Milk is sold to local dairy companies, other production is partly used internally, partly sold;
- the other products and services segment includes sales of biofuel, provision of elevator services and other products and services.

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

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

| **Group**<br><br>**Financial year ended 30 June 2012** | **Grains and oilseeds** | **Feedstuffs** | **Agricul-tural inputs** | **Farming** | **Other products and services** | **Not attributed to any specified segment** | **Adjust-ments and elimina-tions** | **Total** |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | |
| From one client UAB MESTILLA | 93,216 | (8) | - | - | 181 | - | - | 93,389 |
| Other third parties | 440,454 | 358,994 | 402,697 | 28,204 | 14,223 | - | - | 1,244,572 |
| Intersegment | - | 2,510 | 12,232 | 18,830 | 26,402 | - | (59,974) [1] | - |
| **Total revenue** | **533,670** | **361,496** | **414,929** | **47,034** | **40,806** | **-** | **(59,974)** | **1,337,961** |
| | | | | | | | | |
| **Results** | | | | | | | | |
| Operating expenses | 4,684 | 3,405 | 12,015 | 3,832 | 3,514 | 21,418 [6] | - | 48,868 |
| Depreciation and amortisation | 247 | 128 | 1,021 | 1,862 | 4,954 | 350 | - | 8,562 |
| Provisions for onerous contracts | - | (267) | | - | - | - | - | (267) |
| Write-off bad debts and provisions for doubtful debts | 345 | 213 | 1,729 | 4 | (5) | - | - | 2,286 |
| Gain on disposal of subsidiary company | - | - | 62,010 | - | - | - | - | 62,010 |
| **Segment operating profit (loss)** | **5,763** | **17,108** | **88,831** | **8,441** | **10,733** | **(16,295)** | **-** | **114,581** |
| Share of profit of joint ventures | - | - | 2,744 | - | - | - | - | 2,744 |
| | | | | | | | | |
| **Assets** | | | | | | | | |
| Investments into associates | - | - | 286 | - | - | - | - | 286 |
| Investments into joint ventures | - | - | 29,887 | - | - | - | - | 29,887 |
| Capital expenditure [2] | 200 | 34 | 3,537 | 11,732 | 16,670 | 474 | - | 32,647 |
| Non-current assets (excluding investments into associates and joint ventures) | 744 | 210 | 716 | 54,546 | 85,167 | 18,126 [3] | - | 159,509 |
| Current assets | 57,550 | 90,685 | 192,534 | 47,365 | 3,781 | 109,292 [4] | - | 501,207 |
| **Total assets** | **58,294** | **90,895** | **223,423** | **101,911** | **88,948** | **127,418** | **-** | **690,889** |
| Current liabilities | 31,797 | 54,963 | 131,329 | 8,860 | 12,615 | 41,601 [5] | - | 281,165 |

## 4. SEGMENT INFORMATION (CONT'D)

| **Group**<br><br>**Financial year ended 30 June 2011** | **Grains and oilseeds** | **Feedstuffs** | **Agricul-tural inputs** | **Farming** | **Other products and services** | **Not attributed to any specified segment** | **Adjust-ments and elimina-tions** | **Total** |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | |
| From one client UAB MESTILLA | 138,357 | 13 | - | - | 770 | - | - | 139,140 |
| Other third parties | 441,123 | 263,061 | 469,269 | 25,276 | 16,107 | - | - | 1,214,836 |
| Intersegment | - | 2,064 | 11,991 | 14,170 | 21,403 | - | (49,628)[1] | - |
| **Total revenue** | **579,480** | **265,138** | **481,260** | **39,446** | **38,280** | **-** | **(49,628)** | **1,353,976** |
| | | | | | | | | |
| **Results** | | | | | | | | |
| Operating expenses | 19,677 | 8,822 | 17,588 | 3,968 | 3,290 | 12,273[6] | - | 65,618 |
| Depreciation and amortisation | 547 | 210 | 1,369 | 2,092 | 4,657 | 97 | - | 8,972 |
| Provisions for onerous contracts | - | 267 | | - | - | - | - | 267 |
| Write-off bad debts and provisions for doubtful debts | 15,621 | - | 2,743 | - | 506 | - | - | 18,870 |
| Impairment of investment property | - | - | - | - | (610) | - | - | (610) |
| **Segment operating profit (loss)** | **(23,105)** | **3,390** | **26,504** | **15,475** | **6,022** | **(13,071)** | **-** | **15,215** |
| Share of profit of associates | - | - | 63 | - | - | - | - | 63 |
| Share of profit of joint ventures | - | - | 4,743 | - | - | - | - | 4,743 |
| | | | | | | | | |
| **Assets** | | | | | | | | |
| Investments into associates | - | - | 347 | - | - | - | - | 347 |
| Investments into joint ventures | - | - | 25,821 | - | - | - | - | 25,821 |
| Assets held for sale | - | - | 1,802 | - | - | - | - | 1,802 |
| Capital expenditure[2] | 345 | 172 | 6,447 | 4,884 | 14,907 | 236 | - | 26,991 |
| Non-current assets (excluding investments into associates and joint ventures) | 1,373 | 689 | 18,915 | 54,014 | 73,773 | 20,890[3] | - | 169,654 |
| Current assets | 21,926 | 41,048 | 279,726 | 41,319 | 3,118 | 25,475[4] | - | 412,612 |
| **Total assets** | **23,299** | **41,737** | **326,611** | **95,333** | **76,891** | **46,365** | **-** | **610,236** |
| Current liabilities | 18,533 | 9,217 | 213,445 | 10,071 | 6,553 | 27,969[5] | - | 285,788 |

1) Intersegment revenue are eliminated on consolidation.
2) Capital expenditure consists of additions of intangible assets, property, plant and equipment and investment property.
3) The amount includes not rented investment property, other investments, prepayments for financial assets, non-current loans receivable from related parties, non-current loans receivable from employees and deferred income tax asset.
4) The amount includes current loans receivable from related parties, part of other accounts receivable (excluding receivable from National Paying Agency), restricted cash as well as part of cash and cash equivalents.
5) As at 30 June 2012 and 2011 the amount mainly includes income and other taxes payable, current payables to and current loans payable to related parties, and part of borrowings, which are managed on the Group basis.
6) During the financial year ended 30 June 2012, the Group amended the allocation of operating expenses between its business segments:
- Administration, management departments operating expenses are decided to be shown in Not attributed to any specified segment;
- The agricultural department operating expenses are decided to be shown in the following order: ½ share in Grains and oilseeds, the rest share in Agricultural inputs.

Therefore, the respective figures for the financial year ended 30 June 2011 were also updated in order to maintain the comparability. The most significant (LTL 10,225 thousand) reclassification was made from "Grains and oilseeds" segment to "Not attributed to any specified segment".

## 4. SEGMENT INFORMATION (CONT'D)

Sales/Income includes:

| | Group | | Company | |
|---|---|---|---|---|
| | Financial year ended | | | |
| | 30 June 2012 | 30 June 2011 | 30 June 2012 | 30 June 2011 |
| Sales of goods | 1,321,302 | 1,342,756 | - | - |
| Sales of services | 16,659 | 11,220 | 100 | 207 |
| Gain on disposal of subsidiary companies (Note 3) | - | - | 74,391 | - |
| Gain on disposal of assets held for sale | - | - | 2,200 | - |
| Dividends from subsidiaries | - | - | - | 3,500 |
| Rental income from investment and other property | - | - | 180 | 165 |
| Dividends from associates | - | - | 960 | 809 |
| | 1,337,961 | 1,353,976 | 77,831 | 4,681 |

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

| | Group | |
|---|---|---|
| | Financial year ended | |
| **Revenue from external customers** | 30 June 2012 | 30 June 2011 |
| CIS | 284,653 | 399,998 |
| Lithuania | 320,907 | 376,486 |
| Europe (except for Scandinavian countries, CIS and Lithuania) | 299,213 | 321,587 |
| Scandinavian countries | 239,854 | 110,214 |
| Asia | 136,143 | 100,774 |
| Africa | 57,191 | 44,917 |
| | 1,337,961 | 1,353,976 |

Revenue from the largest customer amounted to LTL 93,389 thousand for the year ended 30 June 2012 (LTL 139,140 thousand for the year ending 30 June 2011), arising from sales to UAB MESTILLA and is accounted in the grains and oilseeds segment mostly. Sales to this customer exceeded 10% of sales of the Group in the year ended 30 June 2011. There are no individual customers exceeding 10% of sales of the Group in the year ended 30 June 2012.

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

| | Group | |
|---|---|---|
| **Non-current assets** | As at 30 June 2012 | As at 30 June 2011 |
| Lithuania | 132,084 | 113,730 |
| Ukraine | - | 18,444 |
| Latvia | 179 | 207 |
| Denmark | 118 | 205 |
| | 132,381 | 132,586 |

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

Decrease in non-current assets allocated to Ukraine geographical segment is related to disposal of subsidiary company PJ-SC UKRAGRO NPK (Note 3).

## 5. INTANGIBLE ASSETS

| Group | Software | Other intangible assets | Total |
|---|---|---|---|
| **Cost:** | | | |
| Balance as of 30 June 2010 | 1,343 | 201 | 1,544 |
| Additions | 170 | 17 | 187 |
| Acquisition of subsidiaries | 57 | - | 57 |
| Write-offs | (50) | (60) | (110) |
| Exchange differences | (8) | (1) | (9) |
| Balance as of 30 June 2011 | 1,512 | 157 | 1,669 |
| Additions | 366 | 13 | 379 |
| Exchange differences | 2 | - | 2 |
| Disposal of subsidiary | (73) | - | (73) |
| Balance as of 30 June 2012 | 1,807 | 170 | 1,977 |
| **Accumulated amortization:** | | | |
| Balance as of 30 June 2010 | 1,187 | 163 | 1,350 |
| Charge for the year | 42 | 21 | 63 |
| Write-offs | (50) | (60) | (110) |
| Balance as of 30 June 2011 | 1,179 | 124 | 1,303 |
| Charge for the year | 85 | 11 | 96 |
| Disposal of subsidiary | (34) | - | (34) |
| Balance as of 30 June 2012 | 1,230 | 135 | 1,365 |
| **Net book value as of 30 June 2012** | **577** | **35** | **612** |
| **Net book value as of 30 June 2011** | **333** | **33** | **366** |
| **Net book value as of 30 June 2010** | **156** | **38** | **194** |

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

Part of the intangible assets of the Group with the acquisition value of LTL 1,251 thousand as at 30 June 2012 was fully amortized (LTL 1,191 thousand as at 30 June 2011), but was still in active use.

## 6. PROPERTY, PLANT AND EQUIPMENT

| Group | Land | Buildings and structures | Machinery and equipment | Vehicles | Other property, plant and equipment | Construction in progress and prepayments | Total |
|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | |
| Balance as of 30 June 2010 | 6,381 | 79,102 | 46,948 | 5,561 | 9,140 | 2,388 | 149,520 |
| Additions | 190 | 3,291 | 5,748 | 1,252 | 666 | 15,394 | 26,541 |
| Acquisition of subsidiaries | 249 | 13,220 | 671 | 874 | 1,035 | 336 | 16,385 |
| Disposals and write-offs | (13) | (419) | (370) | (527) | (518) | (206) | (2,053) |
| Transfers to/from investment property | 156 | - | - | - | - | - | 156 |
| Reclassifications | - | 2,797 | (299) | 26 | - | (2,524) | - |
| Exchange differences | (40) | (2,005) | (97) | (137) | (168) | (141) | (2,588) |
| Balance as of 30 June 2011 | 6,923 | 95,986 | 52,601 | 7,049 | 10,155 | 15,247 | 187,961 |
| Additions | 3,236 | 1,940 | 6,749 | 1,488 | 782 | 16,951 | 31,146 |
| Acquisition of subsidiaries | 200 | - | - | - | - | - | 200 |
| Disposals and write-offs | (177) | (210) | (341) | (234) | (28) | (10) | (1,000) |
| Transfers to/from investment property | 610 | - | - | - | - | - | 610 |
| Reclassifications | 176 | 15,585 | 4,092 | 18 | 411 | (20,282) | - |
| Exchange differences | 21 | 1,298 | 300 | 97 | 118 | 67 | 1,901 |
| Disposal of subsidiary | (228) | (17,049) | (4,246) | (1,454) | (1,687) | (298) | (24,962) |
| Balance as of 30 June 2012 | 10,761 | 97,550 | 59,155 | 6,964 | 9,751 | 11,675 | 195,856 |
| **Accumulated depreciation:** | | | | | | | |
| Balance as of 30 June 2010 | - | 19,068 | 25,915 | 3,120 | 5,594 | - | 53,697 |
| Charge for the year | - | 5,355 | 4,238 | 914 | 1,235 | - | 11,742 |
| Disposals and write-offs | - | (182) | (249) | (293) | (389) | - | (1,113) |
| Exchange differences | - | (39) | (21) | (11) | (24) | - | (95) |
| Balance as of 30 June 2011 | - | 24,202 | 29,883 | 3,730 | 6,416 | - | 64,231 |
| Charge for the year | - | 5,588 | 4,470 | 871 | 1,068 | - | 11,997 |
| Disposals and write-offs | - | (16) | (303) | (185) | (28) | - | (532) |
| Reclassifications | - | - | (459) | - | 459 | - | - |
| Exchange differences | - | 61 | 40 | 13 | 36 | - | 150 |
| Disposal of subsidiary | - | (1,118) | (735) | (316) | (567) | - | (2,736) |
| Balance as of 30 June 2012 | - | 28,717 | 32,896 | 4,113 | 7,384 | - | 73,110 |
| **Impairment losses:** | | | | | | | |
| Balance as of 30 June 2010 | 206 | 266 | 19 | 4 | 2 | - | 497 |
| (Reversal) charge for the year | (156) | 183 | - | (1) | (1) | - | 25 |
| Balance as of 30 June 2011 | 50 | 449 | 19 | 3 | 1 | - | 522 |
| (Reversal) charge for the year | (32) | - | - | - | - | - | (32) |
| Balance as of 30 June 2012 | 18 | 449 | 19 | 3 | 1 | - | 490 |
| **Net book value as of 30 June 2012** | **10,743** | **68,384** | **26,240** | **2,848** | **2,366** | **11,675** | **122,256** |
| **Net book value as of 30 June 2011** | **6,873** | **71,335** | **22,699** | **3,316** | **3,738** | **15,247** | **123,208** |
| **Net book value as of 30 June 2010** | **6,175** | **59,768** | **21,014** | **2,437** | **3,544** | **2,388** | **95,326** |

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

The Group's depreciation charge for the years ended 30 June 2012 and 30 June 2011 was included into the following captions of the statement of financial position and the income statement:

| | **Financial year ended** | |
|---|---|---|
| | **30 June 2012** | **30 June 2011** |
| Cost of sales | 7,784 | 8,941 |
| Biological assets | 1,654 | 1,212 |
| Operating expenses | 1,803 | 1,115 |
| Other expenses | 113 | 125 |
| Raw materials and other inventories | 643 | 349 |
| | 11,997 | 11,742 |

Depreciation amount was decreased in the income statement by LTL 1,328 thousand for the year ended 30 June 2012 (LTL 1,375 thousand for the year ended 30 June 2011) by the amortisation of grants received by the Group (Note 19).

As at 30 June 2012 part of property, plant and equipment of the Group with the net book value of LTL 84,810 thousand (LTL 108,318 thousand as at 30 June 2011), was pledged to banks as a collateral for the loans (Note 20).

Part of property, plant and equipment with the acquisition cost of LTL 15,335 thousand was fully depreciated as at 30 June 2012 (LTL 9,801 thousand as at 30 June 2011), but was still in active use.

## 7. INVESTMENT PROPERTY

Investment property of the Group consists of land and buildings leased out under the operating lease which generates lease income.

| | Land | Buildings | Total |
|---|---|---|---|
| **Cost:** | | | |
| Balance as of 30 June 2010 | 7,674 | 3,297 | 10,971 |
| Additions | 263 | - | 263 |
| Transfers to/from property, plant and equipment | (156) | - | (156) |
| Balance as of 30 June 2011 | 7,781 | 3,297 | 11,078 |
| Additions | 1,122 | - | 1,122 |
| Disposals | (65) | - | (65) |
| Transfers to/from property, plant and equipment | (610) | - | (610) |
| Balance as of 30 June 2012 | **8,228** | **3,297** | **11,525** |
| **Accumulated depreciation:** | | | |
| Balance as of 30 June 2010 | - | 593 | 593 |
| Charge for the year | - | 103 | 103 |
| Balance as of 30 June 2011 | - | 696 | 696 |
| Charge for the year | - | 94 | 94 |
| Balance as of 30 June 2012 | **-** | **790** | **790** |
| **Impairment losses:** | | | |
| Balance as of 30 June 2010 | 591 | 1,389 | 1,980 |
| Charge for the year (reversal) | (349) | (261) | (610) |
| Balance as of 30 June 2011 | 242 | 1,128 | 1,370 |
| Charge for the year (reversal) | (148) | - | (148) |
| Balance as of 30 June 2012 | 94 | 1,128 | 1,222 |
| **Net book value as of 30 June 2012** | **8,134** | **1,379** | **9,513** |
| **Net book value as of 30 June 2011** | **7,539** | **1,473** | **9,012** |
| **Net book value as of 30 June 2010** | **7,083** | **1,315** | **8,398** |

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

| | Buildings |
|---|---|
| **Cost:** | |
| Balance as at 30 June 2010, 30 June 2011 and 30 June 2012 | 626 |
| **Accumulated depreciation:** | |
| Balance as at 30 June 2010 | 24 |
| Charge for the year | 57 |
| Balance as at 30 June 2011 | 81 |
| Charge for the year | 30 |
| Balance as at 30 June 2012 | 111 |
| **Net book value as at 30 June 2012** | **515** |
| **Net book value as at 30 June 2011** | **545** |
| **Net book value as at 30 June 2010** | **602** |

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

## 7. INVESTMENT PROPERTY (CONT'D)

As at 30 June 2012 part of investment property of the Group with the net book value of LTL 8,694 thousand (LTL 8,214 thousand as at 30 June 2011), was pledged to banks as a collateral for the loans (Note 20). As at 30 June 2012 and 2011 the Company has pledged all its investment property to the bank as collateral for the loan received by its subsidiary AB Linas Agro (Note 20).

Fair value of the Group's and the Company's investment property as at 30 June 2012 is LTL 12,077 thousand and LTL 1,710 thousand, respectively (as at 30 June 2011 LTL 11,932 thousand and LTL 1,710 thousand, respectively). Fair value has been determined based on valuations performed by independent valuators at near reporting date using the comparable prices method.

## 8. INVESTMENTS INTO ASSOCIATES AND JOINT VENTURES AND ASSETS CLASSIFIED AS HELD FOR SALE

As at 30 June 2012 and 30 June 2011 the Group had investments into the following associates and joint ventures:

| | Place of registration | Effective share held by the Group: As at 30 June 2012 | Effective share held by the Group: As at 30 June 2011 | Main activities |
|---|---|---|---|---|
| ***Associates*** | | | | |
| UAB Jungtinė Ekspedicija | Lithuania | 45.05% | 45.05% | Expedition and ship's agency services |
| ***Joint ventures*** | | | | |
| UAB Kustodija | Lithuania | - | 50.00% | Sale of fertilizers and plant protection products |
| UAB Dotnuvos Projektai | Lithuania | 50.00% | 50.00% | Sale of seeds, agricultural machinery |
| ***Companies controlled by UAB Dotnuvos Projektai*** | | | | |
| UAB Dotnuvos Technika | Lithuania | 50.00% | 50.00% | Dormant |
| SIA DOTNUVOS PROJEKTAI | Latvia | 50.00% | 50.00% | Sale of seeds, agricultural machinery |
| AS Dotnuvos Projektai | Estonia | 50.00% | 50.00% | Sale of seeds, agricultural machinery |
| ŽŪB Dotnuvos Agroservisas | Lithuania | - | 49.98% | Agricultural equipment maintenance and related services |

Information on associates and joint ventures of the Group as at 30 June 2012 was as follows (full amounts of revenue and profit and full amounts of statement of financial position):

| | Investment at equity method | Profit (loss) for the reporting period | Sales revenue | Non-current assets | Current assets | Non-current liabilities | Current liabilities |
|---|---|---|---|---|---|---|---|
| ***Investments into associates*** | | | | | | | |
| UAB Jungtinė Ekspedicija | 286 | 1 | 4,416 | 235 | 1,269 | 100 | 769 |
| | 286 | | | | | | |
| ***Investments into joint ventures*** | | | | | | | |
| UAB Dotnuvos Projektai (consolidated)* | 29,887 | 8,131 | 174,067 | 33,790 | 124,834 | 4,398 | 94,447 |
| | 29,887 | | | | | | |

**As in more detail described in the Note 34, subsequently the Group has acquired 50% of the UAB Dotnuvos Projektai shares and increased its ownership interest to 100%. The cash balance in subsidiary acquired as at 30 June 2012 amounted to LTL 2,502 thousand.*

## 8. INVESTMENTS INTO ASSOCIATES, JOINT VENTURES AND ASSETS CLASSIFIED AS HELD FOR SALE (CONT'D)

Information on associates and joint ventures of the Group as at 30 June 2011 was as follows (full amounts of revenue and profit and full amounts of statement of financial position):

| | Investment at equity method | Profit for the reporting period | Sales revenue | Non-current assets | Current assets | Non-current liabilities | Current liabilities |
|---|---|---|---|---|---|---|---|
| ***Investments into associates*** | | | | | | | |
| UAB Jungtinė Ekspedicija | 347 | 139 | 4,315 | 166 | 1,112 | - | 507 |
| | 347 | | | | | | |
| ***Investments into joint ventures*** | | | | | | | |
| UAB Kustodija | 1,802 | (83) | 38,787 | 689 | 30,220 | 102 | 27,204 |
| UAB Dotnuvos Projektai (consolidated) | 25,821 | 9,823 | 176,194 | 35,689 | 133,218 | 5,413 | 111,851 |
| | 27,623 | | | | | | |
| Classified as held for sale | (1,802) | | | | | | |
| | 25,821 | | | | | | |

The Group has disclosed the investment in UAB Kustodija under assets classified as held for sale as at 30 June 2011, because on 9 May 2011 the Company has entered into a binding UAB Kustodija 50% shares sales agreement and the Company announced a formal disposal plan.

Movements of investments into associates and joint ventures for the years ended 30 June 2012 and 30 June 2011 are the following:

| | |
|---|---|
| Balance as at 30 June 2010 | 23,172 |
| Share profit of associates and joint ventures (after eliminations of unrealised gains) | 4,798 |
| Transferred to assets classified as held for sale | (1,802) |
| Balance as at 30 June 2011 | 26,168 |
| Share profit of associates and joint ventures (after eliminations of unrealised gains) | 2,744 |
| Deferred income (unrealised gains on sale of property, plant and equipment to the Group) | 1,322 |
| Dividends received from associates | (61) |
| Balance as at 30 June 2012 | 30,173 |

Information on associates and joint ventures of the Company as at 30 June 2012 and 30 June 2011 was as follows:

| | Share of the stock held by the Company | | Cost of investment | |
|---|---|---|---|---|
| | As at 30 June 2012 | As at 30 June 2011 | As at 30 June 2012 | As at 30 June 2011 |
| ***Investments into associates*** | | | | |
| UAB Linas Agro Grūdų centras KŪB | 24.70% | 24.70% | 3,906 | 3,906 |
| UAB Jungtinė Ekspedicija | 45.05% | 45.05% | 132 | 132 |
| | | | 4,038 | 4,038 |
| ***Investments into joint ventures*** | | | | |
| UAB Dotnuvos Projektai | 50.00% | 50.00% | 4,902 | 4,902 |
| UAB Kustodija | - | 50.00% | - | 700 |
| | | | 4,902 | 5,602 |
| Classified as held for sale | | | - | (700) |
| | | | 4,902 | 4,902 |

During the year ended 30 June 2011 the Company has increased partnership in UAB Linas Agro Grūdų centras KŪB by LTL 3,900 thousand capitalising part of a loan granted to the investee. As the other shareholders of UAB Linas Agro Grūdų centras KŪB did not participate in the share capital increase, the share of the stock held by the Company increased by 24.67% (share held as at 30 June 2010 was 0.03%).

Due to the reasons described above, investment in UAB Kustodija was disclosed under assets classified as held for sale caption as at 30 June 2011.

## 9. OTHER INVESTMENTS AND PREPAYMENTS

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

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Share held by the Group | As at 30 June 2012 | As at 30 June 2011 | As at 30 June 2012 | As at 30 June 2011 |
| Prepayment for financial assets to be acquired | | - | 2,223 | - | - |
| Prepayment for increase of share capital of UAB Linas Agro Konsultacijos | | - | - | 4,905 | - |
| Investment into Panevėžys district Ėriškių ŽŪB | 24.97% | 173 | 173 | - | - |
| Other investments | | 138 | 192 | - | - |
| | | 311 | 2,588 | 4,905 | - |

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

As disclosed in Note 34, the Company has increased share capital of UAB Linas Agro Konsultacijos by LTL 6,611 thousand as at 16 August 2012. Part of share capital increase in amount of LTL 4,905 thousand was covered with loans granted by the Company (Note 33).

During the year ended 30 June 2011 the Group has made LTL 2,223 thousand prepayment for financial assets to be acquired.

## 10. NON-CURRENT RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | As at 30 June 2012 | As at 30 June 2011 | As at 30 June 2012 | As at 30 June 2011 |
| Trade receivables from agricultural produce growers due after one year | 691 | 2,176 | - | - |
| Loans receivable after one year | 3,713 | 4,509 | - | - |
| Other non-current receivable | 844 | 3,450 | 781 | - |
| Loans to employees | 198 | 182 | - | - |
| | 5,446 | 10,317 | 781 | - |

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

As at 30 June 2012 the balance of AB Linas Agro receivable from KLASCO amounted to LTL 3,708 thousand. The amount is disclosed as non-current loans receivable (LTL 2,818 thousand) and current loans receivable (LTL 890 thousand).

The Group's and Company's non-current receivables were not impaired or past due as at 30 June 2012 and 2011.

## 11. BIOLOGICAL ASSETS

Fair value of the Group's livestock:

| | Milking cows | Heifers | Bulls and fattening cattle | Horses | Total livestock |
|---|---|---|---|---|---|
| Fair value as at 30 June 2010 | 7,049 | 1,854 | 629 | 2 | 9,534 |
| Acquisitions | - | - | - | - | - |
| Births | - | 140 | 152 | - | 292 |
| Makeweight | (14) | 2,254 | 921 | - | 3,161 |
| Transfers between groups | 912 | (2,241) | 1,329 | - | - |
| Disposals | (127) | (145) | (2,377) | (2) | (2,651) |
| Write-offs and falls | (216) | (27) | (21) | - | (264) |
| Change in fair value of biological assets | 3,180 | 644 | 111 | - | 3,935 |
| Fair value as at 30 June 2011 | 10,784 | 2,479 | 744 | - | 14,007 |
| Acquisitions | - | - | - | - | - |
| Births | - | 143 | 140 | - | 283 |
| Makeweight | - | 2,144 | 959 | - | 3,103 |
| Transfers between groups | 79 | (1,838) | 1,759 | - | - |
| Disposals | (73) | (196) | (2,862) | - | (3,131) |
| Write-offs and falls | (184) | (20) | (26) | - | (230) |
| Change in fair value of biological assets | (2,246) | (1) | 67 | - | (2,180) |
| Fair value as at 30 June 2012 | 8,360 | 2,711 | 781 | - | 11,852 |
| **Quantity according to biological assets group (unaudited):** | | | | | |
| As at 30 June 2012 | 1,522 | 1,488 | 434 | 1 | 3,445 |
| As at 30 June 2011 | 1,590 | 1,383 | 463 | 1 | 3,437 |
| As at 30 June 2010 | 1,467 | 1,371 | 499 | 3 | 3,340 |

Fair value of the Group's crops:

| | Winter cultures | Summer cultures | Rapeseeds | Feeding cultures | Total crops |
|---|---|---|---|---|---|
| Fair value as at 30 June 2010 | 6,544 | 5,629 | 4,467 | 1,146 | 17,786 |
| Additions | 7,744 | 8,855 | 6,397 | 3,564 | 26,560 |
| Transfers between groups | (289) | 414 | (125) | - | - |
| Harvested assets | (7,729) | (6,773) | (4,747) | (1,919) | (21,168) |
| Write-offs | (451) | - | (733) | - | (1,184) |
| Fair value adjustment on biological assets | 1,362 | 4,461 | 1,865 | - | 7,688 |
| Fair value as at 30 June 2011 | 7,181 | 12,586 | 7,124 | 2,791 | 29,682 |
| Additions | 12,559 | 8,536 | 6,414 | 4,014 | 31,523 |
| Transfers between groups | - | 8 | (8) | - | - |
| Harvested assets | (8,247) | (14,598) | (8,162) | (3,632) | (34,639) |
| Write-offs | - | - | (97) | - | (97) |
| Fair value adjustment on biological assets | 3,641 | 2,846 | 3,439 | - | 9,926 |
| Fair value as at 30 June 2012 | 15,134 | 9,378 | 8,710 | 3,173 | 36,395 |

## 11. BIOLOGICAL ASSETS (CONT'D)

| **Crops under groups (unaudited)** | **Winter cultures** | **Summer cultures** | **Rapeseeds** | **Feeding cultures** | **Total crops** |
|---|---|---|---|---|---|
| Total sowed (ha) as at 30 June 2011 | 2,472 | 4,332 | 2,597 | 1,881 | 11,282 |
| Total sowed (ha) as at 30 June 2012 | 4,292 | 3,499 | 2,166 | 1,201 | 11,158 |

As at 30 June 2012 and 30 June 2011 the management of the Group treats all animals and livestock as non-current assets and all crops as current.

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

As at 30 June 2012 part of animals and livestock of the Group with the value of LTL 11,852 thousand (LTL 14,007 thousand as at 30 June 2011) was pledged to banks as a collateral for the loans (Note 20).

## 12. INVENTORIES

| | **Group** | |
|---|---|---|
| | **As at 30 June 2012** | **As at 30 June 2011** |
| Purchased goods for resale (at cost or net realizable value) | 126,496 | 117,119 |
| Raw materials and other inventories (at cost) | 7,579 | 12,042 |
| Commitments to purchase agricultural produce (Note 16) | 2,872 | (935) |
| | 136,947 | 128,226 |

The carrying value of the Group's inventories accounted for at net realizable value as at 30 June 2012 amounted to LTL 188 thousand (LTL 409 thousand as at 30 June 2011). The amount of write-down of inventories to net realizable value recognized as an expense in the year ended 30 June 2012 is LTL 13 thousand (LTL 32 thousand in the year ended 30 June 2011), and is recognized in cost of sales of the income statement.

As at 30 June 2012 part of inventories of the Group with the value of LTL 107,539 thousand (LTL 111,398 thousand as at 30 June 2011) was pledged to banks as collateral for the loans (Note 20).

## 13. PREPAYMENTS

| | **Group** | |
|---|---|---|
| | **As at 30 June 2012** | **As at 30 June 2011** |
| Prepayments to agricultural produce growers | 6,551 | 7,085 |
| Prepayments to other suppliers | 9,856 | 42,851 |
| Less: allowance for doubtful prepayments to other suppliers | - | (262) |
| | 16,407 | 49,674 |

As at 30 June 2011 AB Linas Agro paid on behalf of agricultural produce growers to suppliers of seeds and also to suppliers of production. During year ended 30 June 2012, these payments were made directly to agricultural produce growers. These payments are non-interest bearing and are generally collectible from the agricultural produce growers within 120 - 360 days by delivering grain to the Group.

As at 30 June 2011 Group prepayments to agricultural produce growers in the amount of LTL 6,531 thousand were pledged to banks as collateral for the loans (Note 20).

Prepayments to other suppliers have decreased during the year ended 30 June 2012 due to disposal of subsidiary PJ-SC UKRAGRO NPK.

## 13. PREPAYMENTS (CONT'D)

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

| | Individually impaired |
|---|---|
| Balance as at 30 June 2010 | 3,251 |
| Written-down during the year | (3,251) |
| Charge for the year | 262 |
| Balance as at 30 June 2011 | 262 |
| Written-down during the year | (262) |
| Balance as at 30 June 2012 | - |

## 14. TRADE RECEIVABLES

| | Group | |
|---|---|---|
| | As at 30 June 2012 | As at 30 June 2011 |
| Trade receivables from agricultural produce growers | 143,806 | 133,600 |
| Trade receivables from other customers | 70,097 | 47,603 |
| Less: allowance for doubtful trade receivables | (23,015) | (20,435) |
| | 190,888 | 160,768 |

Changes in allowance for trade receivables for the years ended 30 June 2012 and 30 June 2011 were included into operating expenses in the income statement.

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

As at 30 June 2012 the Group's trade receivables with the nominal value of LTL 21,079 thousand (LTL 18,760 thousand as at 30 June 2011) were impaired and fully provided for.

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

| | Individually impaired |
|---|---|
| Balance as at 30 June 2010 | 1,827 |
| Charge for the year | 18,753 |
| Reversed during the year | (145) |
| Balance as at 30 June 2011 | 20,435 |
| Charge for the year | 3,980 |
| Reversed during the year | (405) |
| Written-off during the year | (995) |
| Balance as at 30 June 2012 | 23,015 |

## 14. TRADE RECEIVABLES (CONT'D)

The ageing analysis of the Group's trade receivables as at 30 June 2012 and 30 June 2011 is as follows:

| | Trade receivables neither past due nor impaired | Past due but not impaired | | | | Total |
|---|---|---|---|---|---|---|
| | | Less than 90 days | 91 - 180 days | 180 - 270 days | More than 271 days | |
| **2011** | 145,858 | 12,903 | 416 | 931 | 660 | 160,768 |
| **2012** | 177,643 | 7,034 | 549 | 496 | 5,166 | 190,888 |

As at 30 June 2012 the Group transferred rights to part of its trade receivables with the value of LTL 179,598 thousand (LTL 145,354 thousand as at 30 June 2011) to banks as collateral for the loans (Note 20). Additionally, as collateral for the loans to banks, as at 30 June 2012 the Group transferred rights to future receivables with the value of LTL 5,431 thousand (LTL 6,705 thousand as at 30 June 2011) arising from the investment property rent contracts.

## 15. OTHER ACCOUNTS RECEIVABLE

| | Group | |
|---|---|---|
| | As at 30 June 2012 | As at 30 June 2011 |
| **Financial assets** | | |
| National Paying Agency | 8,096 | 4,328 |
| Loans receivable | 2,838 | 3,191 |
| Loans to the Group employees | 51 | 77 |
| Other receivables | 465 | 205 |
| Less: allowance for doubtful loans receivable | (205) | (205) |
| | 11,245 | 7,596 |
| **Non-financial assets** | | |
| VAT receivable | 6,257 | 16,406 |
| Import VAT receivable | - | 1,980 |
| Other recoverable taxes | 77 | 66 |
| | 6,334 | 18,452 |
| | 17,579 | 26,048 |

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

| | Individually impaired |
|---|---|
| Balance as at 30 June 2010 | 3,971 |
| Charge for the year | (3,766) |
| Balance as at 30 June 2011 | 205 |
| Charge for the year | - |
| Balance as at 30 June 2012 | 205 |

The ageing analysis of the Group's other receivables (except for non-financial assets) as at 30 June 2012 and 30 June 2011 is as follows:

| | Other accounts receivable neither past due nor impaired | Past due but not impaired | | | | Total |
|---|---|---|---|---|---|---|
| | | Less than 90 days | 91 - 180 days | 181 - 270 days | More than 271 days | |
| **2011** | 6,785 | 811 | - | - | - | 7,596 |
| **2012** | 11,245 | - | - | - | - | 11,245 |

## 16. OTHER CURRENT FINANCIAL ASSETS AND DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

| | | Group | |
|---|---|---|---|
| | | As at 30 June 2012 | As at 30 June 2011 |
| **Other current financial assets** | | | |
| Derivative financial instruments designated as hedges | Level 1 | - | 1,040 |
| Foreign exchange forward contracts | Level 2 | - | 265 |
| Other derivative financial instruments | Level 1 | 2,141 | 796 |
| Held-to-maturity financial assets | | 37,981 | - |
| Restricted cash | | 3,453 | 1,381 |
| | | 43,575 | 3,482 |
| **Derivative financial instruments (liabilities)** | | | |
| Derivative financial instruments designated as hedges | Level 1 | (2,797) | (394) |
| Other derivative financial instruments | Level 1 | (4,775) | (224) |
| | | (7,572) | (618) |

The Group concludes forward agreements (with fixed price) with Lithuanian and Latvian agricultural production growers for purchase of agricultural produce. For part of such agreements the Group does not have agreed sales contracts with fixed price. As at 30 June 2012 the Group's total amount of such purchase commitments to buy agricultural produce was LTL 55,442 thousand (LTL 89,365 thousand as at 30 June 2011). To hedge the arising risk of price fluctuations, for the total amount of such purchase commitments the Group concluded futures contracts that are traded on NYSE Euronext Paris SA exchange.

Derivative financial instruments used to hedge the price risk were attributed to the category of fair value hedge. As at 30 June 2012 the fair value of such futures contracts was LTL 2,797 thousand of losses (LTL 1,040 thousand of gain and LTL 394 thousand of losses as at 30 June 2011). These results are accounted for in cost of sales in the income statement. Hedged item (commitments to purchase agricultural produce) of LTL 2,872 thousand of gain (LTL 935 thousand of loss as at 30 June 2011) is accounted for as inventories (Note 12) in the statement of financial position and in cost of sales in the income statement by netting with gain and losses arising from the hedge instrument.

As at 30 June 2012 the Group had derivative financial instruments held for trading. Change in fair value of these financial instruments for the year ended 30 June 2012, equal to LTL 18 thousand of loss (LTL 837 thousand of gain as at 30 June 2011), was included in the income statement. Part of other derivative financial instruments are traded by the Group on behalf of related party, with the respective receivable from related party in amount of LTL 2,616 thousand recorded in Group's financial statements (Note 33).

As at 30 June 2012 the Group and the Company had deposits with interest rate of 1.2% and residual value of LTL 13,811 thousand, with interest rate of 0.98% and residual value of LTL 6,906 thousand and money market instrument with interest rate of 1.42% and residual value of LTL 17,264 thousand. All these instruments were accounted as held-to-maturity financial assets.

As at 30 June 2012 and 30 June 2011 restricted cash balance mostly consists of cash at bank account, held as a deposit for trading in the futures exchange.

## 17. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | As at 30 June 2012 | As at 30 June 2011 | As at 30 June 2012 | As at 30 June 2011 |
| Cash at bank | 53,725 | 7,588 | 43,919 | 2,049 |
| Money market instruments with maturity of less than three months | 1,000 | - | - | - |
| Cash on hand | 43 | 36 | - | - |
| | 54,768 | 7,624 | 43,919 | 2,049 |

As at 30 June 2012 the Group had money market instruments, with interest rate of 0.7% and residual value of LTL 1,000 thousand.

Part of the Group's accounts at banks and cash inflows was pledged to banks as collateral for the loans (LTL 2,666 thousand and LTL 1,991 thousand as at 30 June 2012 and 2011 respectively). As at 30 June 2012 and 30 June 2011 there were no restrictions on use of cash balances held in the pledged accounts (Note 20).

## 18. RESERVES

*Legal reserve*

A legal reserve is a compulsory reserve under the Lithuanian legislation. Annual transfers of not less than 5% of net profit, calculated in accordance with International Financial Reporting Standards, are compulsory until the reserve reaches 10% of the share capital. Legal reserve was not fully formed as at 30 June 2012 and 30 June 2011.

*Reserve for own shares*

A reserve for own shares acquisition was formed based on the decision of the annual general meeting of the Company's shareholders, held on 27 October 2011. Purpose of acquisition of own shares is to maintain and increase the price of the Company's shares. Period during which the Company may purchase own shares is from 27 October 2011 till 27 April 2013. During the financial year ended 30 June 2012 the Company has not used the reserve of own share acquisition.

*Foreign currency translation reserve*

The foreign currency translation reserve results from translation differences arising on consolidation of SIA Linas Agro and Linas Agro A/S as at 30 June 2012 (as at 30 June 2011 also including PJ-SC UKRAGRO NPK) (Note 3).

*Other reserves*

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

## 19. GRANTS AND SUBSIDIES

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

| | |
|---|---|
| Balance as at 30 June 2010 | 10,557 |
| Received | 740 |
| Amortisation | (1,824) |
| Balance as at 30 June 2011 | 9,473 |
| Received | 4,153 |
| Amortisation | (1,771) |
| Balance as at 30 June 2012 | 11,855 |

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

## 19. GRANTS AND SUBSIDIES (CONT'D)

The amortisation of grants of the Group for the years ended 30 June 2012 and 30 June 2011 was included into the following captions of the statement of financial position and the income statement:

| | Group | |
|---|---|---|
| | Financial year ended | |
| | 30 June 2012 | 30 June 2011 |
| Cost of sales (reduces the depreciation expenses of related assets) | 1,311 | 1,366 |
| Biological assets | 339 | 324 |
| Raw materials and other inventories | 104 | 125 |
| Other income | 17 | - |
| Operating expenses (reduces the depreciation expenses of related assets) | - | 9 |
| | 1,771 | 1,824 |

For the year ended 30 June 2012 and 30 June 2011 the Group also received subsidies for animals and livestock, crops and milk in the total amount of LTL 5,682 thousand and LTL 5,192 thousand, respectively, which were accounted for in the sales caption of the income statement.

## 20. BORROWINGS

| | Group | | Company | |
|---|---|---|---|---|
| | As at 30 June 2012 | As at 30 June 2011 | As at 30 June 2012 | As at 30 June 2011 |
| **Non-current borrowings** | | | | |
| Bank borrowings secured by the Group assets | 35,393 | 27,228 | - | - |
| Other non-current borrowings* | 1,356 | 1,067 | 4,163 | - |
| | 36,749 | 28,295 | 4,163 | - |
| **Current borrowings** | | | | |
| Current portion of non-current bank borrowings | 8,765 | 12,814 | - | - |
| Current portion of other non-current borrowings** | 1,310 | 2,000 | - | - |
| Current bank borrowings secured by the Group assets | 156,235 | 160,109 | - | - |
| Factoring with recourse liability | 21,511 | 18,894 | - | - |
| Other current borrowings | 1,719 | 1,881 | - | 4,163 |
| | 189,540 | 195,698 | - | 4,163 |
| | 226,289 | 223,993 | 4,163 | 4,163 |

** Other non-current borrowings of the Company stand for borrowings from related parties (Note 33).*
*** Current portion of other non-current borrowings of the Group in amount of LTL 656 thousand as at 30 June 2012 and in amount of LTL 1,347 thousand as at 30 June 2011 stands for borrowings from related parties (Note 33).*

Interest payable is normally settled monthly throughout the financial year.

As at 30 June 2012 and 30 June 2011 property, plant and equipment, investment property, biological assets, inventories, prepayments, trade receivables and bank accounts were pledged to banks as a collateral for the loans (Notes 6, 7, 11, 12, 13, 14 and 17). Also as at 30 June 2012 and 30 June 2011 UAB Linas Agro Konsultacijos pledged shares of Biržai district Medeikių ŽŪB, Šakiai district Lukšių ŽŪB, Panevėžys district Aukštadvario ŽŪB, Sidabravo ŽŪB, Panevėžys district Ėriškių ŽŪB and Panevėžys district Žibartonių ŽŪB to bank as collateral for the loans.

*Compliance with the covenants of the borrowings agreements*

As at 30 June 2012 AB Linas Agro did not comply with the covenants of current borrowing agreement to maintain the net debt to EBITDA ratio (net financial debt / EBITDA) not more than 4 and to maintain equity to assets ratio equal or more than 40%. As at 30 June 2012 the management of the Group received a bank letter, in which bank confirms that it is aware about the breach and that no actions will be taken.

The amount of the loan as at 30 June 2012 is LTL 98,529 thousand. As described in Note 34, on 12 July 2012 AB Linas Agro prolonged the credit line agreement with AB SEB bank till 10 July 2013.

## 20. BORROWINGS (CONT'D)

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

| | Group | | Company | |
|---|---|---|---|---|
| | As at 30 June 2012 | As at 30 June 2011 | As at 30 June 2012 | As at 30 June 2011 |
| Current borrowings | 2.75% | 6.51% | - | 3.88% |
| Non-current borrowings | 2.73% | 8.80% | 3.12% | - |

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

| | Group | | Company | |
|---|---|---|---|---|
| | As at 30 June 2012 | As at 30 June 2011 | As at 30 June 2012 | As at 30 June 2011 |
| **Borrowings denominated in:** | | | | |
| EUR | 177,281 | 116,559 | 4,163 | 4,163 |
| USD | 7,692 | 59,521 | - | - |
| LTL | 41,316 | 28,789 | - | - |
| UAH | - | 14,709 | - | - |
| DKK | - | 2,720 | - | - |
| PLN | - | 1,695 | - | - |
| | 226,289 | 223,993 | 4,163 | 4,163 |

As at 30 June 2012 Group not utilized credit lines comprise LTL 94,839 thousand (LTL 161,305 thousand as at 30 June 2011).

## 21. FINANCE LEASE OBLIGATIONS

The assets leased by the Group under finance lease contracts consist of land, buildings and structures, machinery and equipment, vehicles and other property, plant and equipment. Apart from the lease payments, the most significant liabilities under the lease contracts are maintenance and insurance. The terms of finance lease vary from 3 to 5 years. The split of the net book value of the assets acquired under finance lease is as follows:

| | Group | |
|---|---|---|
| | As at 30 June 2012 | As at 30 June 2011 |
| Land | 1,461 | 640 |
| Investment property (land) | 155 | 155 |
| Buildings and structures | 310 | 330 |
| Machinery and equipment | 2,313 | 1,480 |
| Vehicles | 1,270 | 1,152 |
| Other property, plant and equipment | 74 | 95 |
| | 5,583 | 3,852 |

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

| | Group | |
|---|---|---|
| | As at 30 June 2012 | As at 30 June 2011 |
| EUR | 2,054 | 1,853 |
| LTL | 1,581 | 964 |
| | 3,635 | 2,817 |

## 21. FINANCE LEASE OBLIGATIONS (CONT'D)

As at 30 June 2012 the interest rate on the finance lease obligations in EUR varies depending on the EURLIBOR and EURIBOR and ranges from 1.91% to 4.48%. The interest rate for the remaining portion of the finance lease liability in LTL outstanding as at 30 June 2012 is fixed, i.e. from 2% to 5%.

As at 30 June 2011 the interest rate on the finance lease obligations in EUR varies depending on the EURLIBOR and EURIBOR and ranges from 1.19% to 6.54%. The interest rate for the remaining portion of the finance lease liability in LTL outstanding as at 30 June 2011 is fixed, i.e. from 2% to 5%.

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

| | Group | |
|---|---|---|
| | As at 30 June 2012 | As at 30 June 2011 |
| Within one year | 1,177 | 1,072 |
| From one to five years | 2,042 | 1,653 |
| After five years | 986 | 400 |
| Total finance lease obligations | 4,205 | 3,125 |
| Interest | (570) | (308) |
| Present value of finance lease obligations | 3,635 | 2,817 |
| Finance lease obligations are accounted for as: | | |
| - current | 1,067 | 1,028 |
| - non-current | 2,568 | 1,789 |

## 22. OPERATING LEASE

The Group concluded several contracts of operating lease. The terms of lease do not include restrictions on the activities of the Group in connection with the dividends, additional borrowings or additional lease agreements. For the year ended 30 June 2012 the lease expenses of the Group amounted to LTL 1,076 thousand (LTL 1,348 thousand for the year ended 30 June 2011).

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

| | Group | |
|---|---|---|
| | As at 30 June 2012 | As at 30 June 2011 |
| Within one year | 1,574 | 1,418 |
| From one to five years | 1,659 | 2,611 |
| After five years | 1,526 | 1,564 |
| Total | 4,759 | 5,593 |
| Denominated in (LTL equivalent): | | |
| - EUR | 862 | 2,710 |
| - LTL | 3,355 | 2,610 |
| - UAH | - | 125 |
| - DKK | 542 | 85 |
| - LVL | - | 63 |

The Company does not have operating lease agreements as at 30 June 2012 and 30 June 2011.

## 23. TRADE PAYABLES

Trade payables are non-interest bearing and are normally settled on 60-day term.

## 24. OTHER CURRENT LIABILITIES

| | Group | |
|---|---|---|
| | As at 30 June 2012 | As at 30 June 2011 |
| **Financial liabilities** | | |
| Accrual for professional services | 448 | 318 |
| Other liabilities | 1,113 | 5,225 |
| | 1,561 | 5,543 |
| **Non-financial liabilities** | | |
| Accrued expenses (mainly bonuses to employees) | 6,249 | 2,045 |
| Vacation accrual | 3,240 | 3,325 |
| Advances received | 167 | 14,182 |
| Advances received from related parties (Note 33) | - | 691 |
| Payroll related liabilities | 2,352 | 2,615 |
| Import VAT payable | 2,772 | 1,975 |
| VAT payable | 692 | 1,405 |
| Other liabilities | 505 | 968 |
| | 15,977 | 27,206 |
| | 17,538 | 32,749 |

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

As at 30 June 2012 advances received are significantly lower than as at 30 June 2011 mainly due to disposal of PJ-SC UKRAGRO NPK as described in Note 3. Advances as at 30 June 2011 were received for the goods.

## 25. COST OF SALES

| | Group | |
|---|---|---|
| | Financial year ended | |
| | 30 June 2012 | 30 June 2011 |
| Cost of inventories recognised as an expense | 1,135,748 | 1,137,286 |
| Logistics expenses | 88,509 | 84,875 |
| Wages and salaries and social security | 12,475 | 11,253 |
| Provision for onerous contracts | (267) | 267 |
| Depreciation | 6,473 | 7,575 |
| Utilities expenses | 2,955 | 2,243 |
| Change in fair value of biological assets (Note 11) | (7,746) | (11,623) |
| Change in fair value of financial instruments (Note 16) | (289) | (3,401) |
| Other | 5,240 | 44,532 |
| | 1,243,098 | 1,273,007 |

The main part of other expenses in financial year ended 30 June 2011 is related to payments to customers due to inadequate grain quality and non-deliveries, which occurred as farmers failed to deliver contracted grain quantities.

## 26. OPERATING EXPENSES

| | Group | | Company | |
|---|---|---|---|---|
| | Financial year ended | | | |
| | 30 June 2012 | 30 June 2011 | 30 June 2012 | 30 June 2011 |
| Wages and salaries and social security | 31,121 | 29,943 | 56 | 66 |
| Change in allowance for and write-offs of receivables and prepayments* | 2,286 | 18,870 | - | - |
| Consulting expenses | 2,170 | 1,719 | 443 | 271 |
| Depreciation and amortization | 1,899 | 1,169 | 30 | 57 |
| Change in impairment of property, plant and equipment (Note 6) | (32) | 25 | - | - |
| Change in impairment of investments into subsidiaries (Note 3) | - | - | (431) | (558) |
| Currency exchange loss | - | - | 1,498 | - |
| Loss on disposal of subsidiary (Note 3) | - | - | - | 851 |
| Other | 11,424 | 13,892 | 112 | 132 |
| | 48,868 | 65,618 | 1,708 | 819 |

** During the year ended 30 June 2011 Linas Agro A/S (former Rosenkrantz A/S) has made an allowance on trade receivables in amount of LTL 15,621.*

## 27. OTHER INCOME (EXPENSES)

| | Group | |
|---|---|---|
| | Financial year ended | |
| | 30 June 2012 | 30 June 2011 |
| **Other income** | | |
| Fees from farmers for grain non-deliveries | 272 | 3,916 |
| Rental income from investment property and property, plant and equipment | 886 | 912 |
| Gain from disposal of investment property and property, plant and equipment | 338 | 180 |
| Gain on disposal of subsidiary companies (Note 3) | 62,010 | - |
| Gain on disposal assets held for sale | 1,060 | - |
| Currency exchange gain | 2,797 | - |
| Change in fair value of currency financial instruments | 2,099 | - |
| Other income | 457 | 108 |
| | 69,919 | 5,116 |
| **Other (expenses)** | | |
| Currency exchange loss | - | (4,517) |
| Direct operating expenses arising on rental and non-rental earning investment properties | (354) | (233) |
| Loss from disposal of property, plant and equipment | (49) | (228) |
| Change in impairment of investment property (Note 7) | 148 | 610 |
| (Loss) recognized on acquisition of subsidiaries (Note 3) | (1,020) | (670) |
| Other expenses | (58) | (214) |
| | (1,333) | (5,252) |

During the year ended 30 June 2012 the Company has concluded several currency forward agreements which generated the net gain of LTL 1,913 thousand.

## 28. INCOME (EXPENSES) FROM FINANCING ACTIVITIES

| | Group | | Company | |
|---|---|---|---|---|
| | Financial year ended | | Financial year ended | |
| | 30 June 2012 | 30 June 2011 | 30 June 2012 | 30 June 2011 |
| **Income from financing activities** | | | | |
| Interest income | 7,783 | 2,132 | 2,277 | 1,079 |
| Income from overdue payments | 247 | 647 | - | - |
| | 8,030 | 2,779 | 2,277 | 1,079 |
| **(Expenses) from financing activities** | | | | |
| Interest expenses | (9,768) | (8,277) | (278) | (180) |
| Expenses for overdue payments | (11) | (1) | - | - |
| | (9,779) | (8,278) | (278) | (180) |

Group's income from financing activities have increased for the year ended 30 June 2012 due to PJ-SC UKRAGRO NPK accounted discounting effect of trade payable accounts for amount of LTL 6,154 thousand.

## 29. INCOME TAX

| | Group | |
|---|---|---|
| | Financial year ended | |
| | 30 June 2012 | 30 June 2011 |
| Current income tax expense | 18,512 | 4,177 |
| Income tax correction for prior periods | 756 | (29) |
| Deferred income tax (income) expense | 2,009 | (8,596) |
| Income tax expenses (gain) recorded in the income statement | 21,277 | (4,448) |

| | Group | |
|---|---|---|
| | As at 30 June 2012 | As at 30 June 2011 |
| **Deferred income tax asset** | | |
| Tax loss carry forward (available indefinitely) | 2,768 | 7,210 |
| Accruals | 1,210 | 661 |
| Investment incentive | 1,009 | - |
| Allowance for trade receivables | 592 | 549 |
| Impairment of investment property | 170 | 159 |
| Impairment of property, plant and equipment | 189 | 71 |
| Provision for onerous contracts | - | 40 |
| Fair value of financial instruments | 373 | - |
| Other | 164 | 107 |
| Deferred income tax asset | 6,475 | 8,797 |
| **Deferred income tax liability** | | |
| Property, plant and equipment (difference between tax and accounting values) | - | (839) |
| Inventories (difference between tax and accounting values, Ukraine) | - | (829) |
| Fair value of biological assets | (682) | (678) |
| Investment into joint venture | - | (165) |
| Fair value of financial instruments | (391) | (61) |
| Other | (12) | (41) |
| Deferred income tax liability | (1,085) | (2,613) |
| Deferred income tax, net | 5,390 | 6,184 |
| Accounted for as deferred income tax asset in the statements of financial position | 6,289 | 8,797 |
| Accounted for as deferred income tax liability in the statements of financial position | (899) | (2,613) |

## 29. INCOME TAX (CONT'D)

Decrease in recognised deferred tax asset from tax loss carry forward in financial year ended 30 June 2012 is related to change in the type of the Group Company's Linas Agro A/S operations and therefore changed estimate of recoverability of deferred tax assets from tax loss carry forward. The deferred tax asset was recognised based on the budgets prepared by the Group management, the company expects to realise the tax loss carry forward during next five years.

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

As at 30 June 2012 and 30 June 2011 the Group has not recognised deferred tax asset for the following temporary differences:

| | Group | |
|---|---|---|
| | As at 30 June 2012 | As at 30 June 2011 |
| Tax loss carry forward (available indefinitely) | 2,803 | 322 |
| Tax loss carry forward (available till 30 June 2020) | 127 | - |
| Allowance for trade receivables | 367 | 287 |
| Impairment of investment property | - | 36 |
| Tax loss carry forward from investing activity (available till 30 June 2014) | 33 | 29 |
| Impairment of property, plant and equipment | - | 8 |
| Allowance for inventories | 24 | 21 |
| Accrued expenses | 104 | 115 |
| | 3,458 | 818 |

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

The temporary differences associated with investments in associates and joint ventures, for which deferred tax liability has not been recognized, aggregate to LTL 25,139 thousand and LTL 21,134 thousand as at 30 June 2012 and 30 June 2011, respectively.

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

| | Group | |
|---|---|---|
| | Financial year ended | |
| | 30 June2012 | 30 June 2011 |
| Profit before tax | 115,576 | 14,522 |
| Income tax expenses, applying the statutory rate in Lithuania (15%) | 17,336 | 2,178 |
| Effect of different tax rates in the Republic of Latvia, Denmark and the Republic of Ukraine, 5% tax rate for the entities engaged in agricultural activities (Note 2.24.) | 1,224 | (2,328) |
| Utilization of previously unrecognised temporary differences | (410) | (734) |
| Income tax correction for prior periods | 756 | (29) |
| Temporary differences for which no deferred taxes were recognised | 2,119 | 175 |
| Effect of changes in corporate income tax legislation (Ukraine) | - | (1,720) |
| Permanent differences | 239 | (2,155) |
| Effect of changes in foreign exchange rates | (62) | 154 |
| Effect of change in income tax rate | 75 | 11 |
| Total income tax (income) expenses | 21,277 | (4,448) |

The Company's increase in Income tax expenses for the year ended as 30 June 2012 is due to the income tax calculated on the gain from sale of subsidiary (Note 3).

## 30. BASIC AND DILUTED EARNINGS PER SHARE

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

The weighted average number of ordinary shares for the years ended 30 June 2012 and 30 June 2011 was as follows:

| **Calculation of weighted average for the year ended 30 June 2012** | **Number of shares** | **Par value (LTL)** | **Issued/365 (days)** | **Weighted average** |
|---|---|---|---|---|
| Shares issued as at 30 June 2011 | 158,940,398 | 1 | 365/365 | 158,940,398 |
| Shares issued as at 30 June 2012 | 158,940,398 | 1 | 365/365 | 158,940,398 |

| **Calculation of weighted average for the year ended 30 June 2011** | **Number of shares** | **Par value (LTL)** | **Issued/365 (days)** | **Weighted average** |
|---|---|---|---|---|
| Shares issued as at 30 June 2010 | 158,940,398 | 1 | 365/365 | 158,940,398 |
| Shares issued as at 30 June 2011 | 158,940,398 | 1 | 365/365 | 158,940,398 |

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

| | **Financial year ended** | |
|---|---|---|
| | **30 June 2012** | **30 June 2011** |
| Net profit, attributable to the shareholders of the parent | 89,394 | 19,563 |
| Weighted average number of ordinary shares outstanding for the year | 158,940,398 | 158,940,398 |
| Basic and diluted earnings per share (in LTL) | 0.56 | 0.12 |

As at 30 October 2010 the shareholders meeting approved the dividends payment policy, according to which during the following three years the Company will distribute to its shareholders up to 20% of the net profit of the Group as dividends annually. For the year ended 30 June 2010 the Company paid LTL 3,500 thousand dividends, or LTL 0.02 per share. The Board of the Company plans to pay LTL 4,500 thousand dividends, or LTL 0.03 per share, for the year ended 30 June 2012.

## 31. FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT

### Credit risk

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

The Group's procedures are in force to ensure that sales are made to customers with an appropriate credit history and do not exceed an acceptable credit exposure limit. As at 30 June 2012 part of AB Linas Agro trade receivables was insured with the insurance limit equal to equivalent of LTL 28,098 thousand (LTL 16,210 thousand of Linas Agro A/S trade receivables as at 30 June 2011 were insured).

The Group does not guarantee obligations of other parties.

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

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

### Interest rate risk

The major part of the Group's borrowings is with variable rates, related to LIBOR, EURIBOR and VILIBOR, which creates an interest rate risk. There were no financial instruments designated to manage the exposure to fluctuation in interest rates outstanding as at 30 June 2012 and 2011.

The sensitivity analysis of the pre-tax profit of the Group to possible changes in the interest rates, considering that all other variables will remain constant, is presented in the table below.

| | Effect on the profit before income tax for the year ended (in LTL thousand) | | | |
|---|---|---|---|---|
| | **Increase / decrease of basis points** | **30 June 2012** | **Increase / decrease of basis points** | **30 June 2011** |
| EUR | +150 | (2,642) | + 150 | (1,574) |
| EUR | - 50 | 881 | - 50 | 525 |
| LTL | +150 | (596) | + 150 | (443) |
| LTL | -150 | 596 | - 150 | 443 |
| USD | +150 | (91) | + 150 | (866) |
| USD | - 50 | 30 | - 50 | 289 |
| DKK | - | - | + 150 | (41) |
| DKK | - | - | - 150 | 41 |
| UAH | - | - | + 150 | (219) |
| UAH | - | - | - 150 | 219 |
| PLN | - | - | + 150 | (25) |
| PLN | - | - | - 150 | 25 |

### Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its commitments at a given date in accordance with its strategic plans. The Group's liquidity (total current assets / total current liabilities) and quick ((total current assets – crops and inventories) / total current liabilities) ratios as at 30 June 2012 were 1.78 and 1.17, respectively (as at 30 June 2011 1.44 and 0.89, respectively).

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

Liquidity risk (cont'd)

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

| Group | On demand | Less than 3 months | 3 to 12 months | 1 to 2 years | 2 to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|---|
| Non-current borrowings | 691 | 1,712 | 13,878 | 8,594 | 17,752 | 4,654 | 47,281 |
| Lease liabilities | - | 346 | 726 | 865 | 788 | 400 | 3,125 |
| Current borrowings | 7,966 | 177,701 | 2,106 | - | - | - | 187,773 |
| Other non-current liabilities | - | - | - | - | 2,246 | - | 2,246 |
| Derivative financial instruments | - | 618 | - | - | - | - | 618 |
| Current trade payables | 74 | 38,206 | 9,000 | - | - | - | 47,280 |
| Payables to related parties | 20 | 4,471 | 991 | - | - | - | 5,482 |
| Other liabilities | 165 | 1,886 | 3,492 | - | - | - | 5,543 |
| **Balance as at 30 June 2011** | **8,916** | **224,940** | **30,193** | **9,459** | **20,786** | **5,054** | **299,348** |
| Non-current borrowings | 1,692 | 1,603 | 7,863 | 12,470 | 20,284 | 6,677 | 50,589 |
| Lease liabilities | - | 274 | 903 | 900 | 1,142 | 986 | 4,205 |
| Current borrowings | 52,937 | 106,352 | 24,365 | - | - | - | 183,654 |
| Other non-current liabilities | - | - | - | 1,397 | 56 | 262 | 1,715 |
| Derivative financial instruments | - | 2,289 | 5,283 | - | - | - | 7,572 |
| Current trade payables | 23 | 16,806 | 32,165 | - | - | - | 48,994 |
| Payables to related parties | 290 | 3,208 | 144 | - | - | - | 3,642 |
| Other liabilities | 107 | 1,010 | 571 | - | - | - | 1,688 |
| **Balance as at 30 June 2012** | **55,049** | **131,542** | **71,294** | **14,767** | **21,482** | **7,925** | **302,059** |

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

| Company | On demand | Less than 3 months | 3 to 12 months | 1 to 2 years | 2 to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|---|
| Current borrowings | - | - | 4,212 | - | - | - | 4,212 |
| Current trade payables | - | 31 | - | - | - | - | 31 |
| Non-current payable to related parties | - | - | - | - | 218 | - | 218 |
| Payables to related parties | 24 | - | 73 | - | - | - | 97 |
| Other liabilities | - | 71 | - | - | - | - | 71 |
| **Balance as at 30 June 2011** | **24** | **102** | **4,285** | **-** | **218** | **-** | **4,629** |
| Non-current borrowings | - | - | 132 | 4,248 | - | - | 4,380 |
| Non-current payable to related parties | - | - | - | - | - | 258 | 258 |
| Other liabilities | - | 236 | - | - | - | - | 236 |
| **Balance as at 30 June 2012** | **-** | **236** | **132** | **4,248** | **-** | **258** | **4,874** |

Foreign exchange risk

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

The major part of the Group's monetary assets and liabilities as at 30 June 2012 and 30 June 2011 are denominated in LTL or EUR, to which LTL is pegged, consequently the management of the Group believes that foreign exchange risk on EUR is insignificant. The Group does not use any financial instruments to manage its exposure to foreign exchange risk other than aiming to borrow in EUR, to which LTL and LVL are pegged.

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

Foreign exchange risk (cont'd)

Monetary assets and liabilities stated in various currencies as at 30 June 2012 and 30 June 2011 were as follows (LTL equivalent):

| Group | As at 30 June 2012 | | As at 30 June 2011 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| LTL | 158,732 | 89,423 | 143,769 | 67,547 |
| EUR | 147,751 | 219,384 | 44,315 | 147,671 |
| USD | 8,466 | 9,919 | 9,609 | 62,170 |
| DKK | 2,526 | 3,095 | 8,405 | 5,331 |
| LVL | 452 | 688 | 370 | 2,331 |
| PLN | 8,436 | 302 | 3,234 | 1,860 |
| UAH | - | - | 15,800 | 19,028 |
| Other currencies | 3 | - | 1 | 3 |
| | 326,366 | 322,811 | 225,503 | 305,941 |

The Group did not present the sensitivity to a reasonably possible change in DKK and LVL currencies exchange, with all other variables held constant, of the profit before tax as the changes in those foreign currencies' exchange are not material.

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

| | Increase/ decrease in exchange rate | Effect on the profit before income tax for the year ended (in LTL thousand) 30 June 2012 | 30 June 2011 |
|---|---|---|---|
| USD | + 15.00% | (218) | (7,884) |
| USD | - 15.00% | 218 | 7,884 |
| PLN | + 15.00% | 1,220 | 206 |
| PLN | - 15.00% | (1,220) | (206) |
| UAH | + 15.00% | - | (484) |
| UAH | - 15.00% | - | 484 |

Financial risk, arising from biological assets, management strategy

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

Fair value of financial instruments

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

Fair value is defined as the amount at which the instrument could be exchanged between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The carrying amounts of financial assets and liabilities of the Group are approximately equal to their fair value.

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

Fair value of financial instruments (cont'd)

The fair value of borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of loans and other financial assets have been calculated using market interest rates.

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

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

Capital management

For capital management purposes the Group's capital includes share capital, share premium, legal reserve, reserve for own shares, foreign currency translation reserve and retained earnings amounting to LTL 351,251 thousand as at 30 June 2012 (LTL 263,358 thousand as at 30 June 2011).

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

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2012 and 30 June 2011.

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

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

| | Group | |
|---|---|---|
| | **As at 30 June 2012** | **As at 30 June 2011** |
| Total equity | 356,056 | 279,949 |
| Total assets | 690,889 | 610,236 |
| Total equity / Total assets | 52% | 46% |
| Leverage ratio | 48% | 54% |

## 32. COMMITMENTS AND CONTINGENCIES

As at 30 June 2012 the Group is committed to purchase property, plant and equipment for the total amount of LTL 2,754 thousand (LTL 9,960 thousand as at 30 June 2011).

As of 30 June 2012 additional investments are required for cattle farms located in Panevėžys district Aukštadvario ŽŪB due to stiffening environmental regulation in Lithuania. Incompliance with such regulations may result in significant fines. Total estimated investment value for modernization till compliance level with the environmental regulations set by the Republic of Lithuania amounts to LTL 650 thousand (as of 30 June 2011 LTL 1,300 thousand, respectively Panevėžys district Aukštadvario ŽŪB – LTL 650 thousand and Sidabravo ŽŪB – LTL 650 thousand).

A few Group companies (Biržų district Medeikių ŽŪB, Šakiai district Lukšių ŽŪB, and Sidabravo ŽŪB) received grants from the European Union and National Paying Agency mostly for acquisition of agricultural heavy duty equipment. Biržų district Medeikių ŽŪB is committed not to discontinue operations related to agriculture up to 2014, Šakiai district Lukšių ŽŪB - up to 2015, Sidabravo ŽŪB – up to 2014. UAB Linas Agro Grūdų Centras KŪB received grant from the European Union and National Paying Agency for grain handling and storage facility upgrade. UAB Linas Agro Grūdų Centras KŪB is committed not to discontinue operations related to preparation and warehousing of grains for trade agriculture up to 2015. In case of non-compliance with the requirements the Group companies will have to return funds received to the state of Lithuania amounting to LTL 10,145 thousand as of 30 June 2012 (LTL 2,854 thousand as of 30 June 2011).

## 32. COMMITMENTS AND CONTINGENCIES (CONT'D)

As at 30 June 2012 the balance of guarantees and warranties issued by the Company to the banks for the controlled companies (directly and indirectly controlled subsidiaries) amounted to LTL 29,071 thousand (LTL 22,444 thousand as at 30 June 2011). The Company's guarantees are issued for the loans granted to these companies. The Company is obliged to repay the companies' liabilities to banks in full, if the companies are not able to do it themselves. Guarantees issued are not secured with the assets of the Company. The management of the Group believes that the companies on behalf of which guarantees and warranties were issued will meet their liabilities to the creditors, therefore, no provisions in respect of these guarantees were accounted for in the financial statements as at 30 June 2012 and 2011.

## 33. RELATED PARTIES TRANSACTIONS

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

The related parties of the Company and Group for the years ended 30 June 2012 and 30 June 2011 were as follows:

*Members of the board of the Company:*

Darius Zubas (chairman of the board, ultimate controlling shareholder);
Vytautas Šidlauskas;
Dainius Pilkauskas;
Arūnas Zubas;
Andrius Pranckevičius;
Arūnas Jarmolavičius;
Tomas Tumėnas.

*Subsidiaries:*

List provided in Note 3.

*Joint ventures* (Note 8*)*:

UAB Dotnuvos Projektai;
ŽŪB Dotnuvos Agroservisas (till 28 December 2011, reorganized);
UAB Dotnuvos Technika;
SIA DOTNUVOS PROJEKTAI (related from 26 April 2010);
AS Dotnuvos Projektai (related from 11 November 2010);
UAB Kustodija (till 19 October 2011).

*Associates* (*Note* 8):

UAB Jungtinė Ekspedicija

*Akola ApS group companies*:

Akola ApS (Denmark) (controlling shareholder);
UAB MESTILLA (same ultimate controlling shareholders);
OOO Ukrkalyj (Ukraine), in liquidation status (same ultimate controlling shareholders till 30 June 2011);
PAT UKRAGRO NPK (Ukraine) (same ultimate controlling shareholders, subsidiary starting from 1 July 2010 till 6 February 2012).

UAB Baltic Fund Investments (Tomas Tumėnas is a director of this company);
UAB CEY (Arūnas Jarmolavičius is a director of this company).

## 33. RELATED PARTIES TRANSACTIONS (CONT'D)

The Group's transactions with related parties in the year ended 30 June 2012 and 30 June 2011 were as follows:

| 2012 | Purchases | Sales | Trade receivables | Non-current loans receivable | Non-current payables | Payables and advances received | Current loans received |
|---|---|---|---|---|---|---|---|
| Members of the board | 47 | 1 | - | - | - | - | 656* |
| Joint ventures | 33,122 | 1,197 | - | - | 54 | 604 | - |
| Associates | 9,292 | 186 | 53 | - | - | 425 | - |
| Akola ApS group companies | 17,804 | 93,712 | 3,552 | 3,230 | - | 2,613 | - |
| | 60,265 | 95,096 | 3,605 | 3,230 | 54 | 3,642 | 656 |

| 2011 | Purchases | Sales | Receivables | | Non-current loans receivable | Payables and advances received | Current loans received |
|---|---|---|---|---|---|---|---|
| | | | Trade receivables | Current loans receivable | | | |
| Members of the board | 47 | - | - | - | - | - | 656* |
| Joint ventures | 28,389 | 1,605 | 12 | - | - | 4,072 | - |
| Associates | 7,652 | 118 | 53 | - | - | 245 | - |
| Akola ApS group companies | 14,790 | 141,761 | 870 | 2,964 | 1,359 | 1,856 | 691 |
| | 50,878 | 143,484 | 935 | 2,964 | 1,359 | 6,173 | 1,347 |

** Loans borrowed from related parties are accounted for under current portion of non-current borrowings caption in the statement of financial position (Note 20).*

The Company's transactions with related parties in the year ended 30 June 2012 and 30 June 2011 were as follows:

| 2012 | Purchases | Sales and dividends | Receivables | | Prepayments for financial assets | Payables | Non-current payables | Non-current loans received |
|---|---|---|---|---|---|---|---|---|
| | | | Trade receivables | Current loans receivable | | | | |
| Parent | - | 14 | 17 | - | - | - | - | - |
| Subsidiaries | 13 | 255 | 133 | 30,924 | 4,905 | - | 158 | 4,163 |
| Associates | - | 86 | 902 | - | - | - | - | - |
| | 13 | 355 | 1,052 | 30,924 | 4,905 | - | 158 | 4,163 |

## 33. RELATED PARTIES TRANSACTIONS (CONT'D)

| 2011 | Purchases | Sales and dividends | Receivables: Trade receivables | Receivables: Current loans receivable | Non-current loans receivable and prepayments for financial assets | Payables | Current loans received |
|---|---|---|---|---|---|---|---|
| Subsidiaries | 489 | 4,923 | 1,064 | 35,366 | - | 288 | 4,163 |
| Associates | - | 2 | - | - | - | - | - |
| | 489 | 4,925 | 1,064 | 35,366 | - | 288 | 4,163 |

As of 30 June 2012 annual interest rate of the Group's loans borrowed is fixed 7%. Non-current loans receivable from related parties are equal 3.7% and 3 month EURIBOR+2.45% margin annual interest rate. As at 30 June 2011 annual interest rate of the Group's loans borrowed and non-current loans receivable from related parties are fixed and equal to 7.5% and 8%, respectively. Current loans receivable from related parties bear 1m EURIBOR + 2.45% margin annual interest rate.

Transactions with related parties include sales and purchases of goods and services, sales and purchases of property, plant and equipment as well as financing transactions in the ordinary course of business.

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

Terms and conditions of the financial assets and liabilities:

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

The Group's and Company's receivables and loans receivable from related parties were not impaired or past due as at 30 June 2012 and 2011.

### Remuneration of the management and other payments

The Group's management consists of the Company's board of directors and directors of each of the company in the Group. The Group's management remuneration amounted to LTL 9,372 thousand (including LTL 798 thousand of bonuses to the board of directors of AB Linas Agro) for the year ended 30 June 2012 (LTL 10,303 thousand (including LTL 1,707 thousand of bonuses to the board of directors of AB Linas Agro) for the year ended 30 June 2011). For the year ended 30 June 2012 the Group's management has also received LTL 23 thousand of rent payments (LTL 30 thousand of rent payments for the year ended 30 June 2011).

The Company's management consists of the board of directors and a managing director. For the year ended 30 June 2012 the Company's management remuneration amounted to LTL 15 thousand (LTL 15 thousand for the year ended 30 June 2011).

No other payments or property transfers to/from the management were made or accrued; no other loans or guarantees were received / granted in the years ended 30 June 2012 and 2011. As described in Note 3, the management of Group subsidiary had a put option as at 30 June 2011.

## 34. SUBSEQUENT EVENTS

*Group*

On 12 July 2012 AB Linas Agro prolonged the credit line agreement with AB SEB Bank till 10 July 2013. The total credit limit was increased from LTL 103 million to LTL 150 million.

On 13 July 2012 the Group acquired 98.55% shares of Kėdainių district Labūnavos ŽŪB for LTL 22,545 thousand from previous owners. After the share acquisition the Group directly controls 98.64% of the investee. The only unaudited financial information on the acquired subsidiary as at 30 June 2012 is available as at the date of the release of these financial statements and is presented below. The fair values of the net assets acquired have not yet been assessed by the Group.

| | Kėdainių district Labūnavos ŽŪB |
|---|---|
| **Acquisition date** | 1 July 2012 |
| **Carrying values** | (unaudited) |
| Non-current assets | 16,733 |
| Current assets | 14,266 |
| Liabilities | (3,113) |
| Net assets | 27,886 |
| Cash in the subsidiary | 3,067 |
| Revenue for the period 01 January 2011 - 31 December 2011 | 14,126 |
| Profit (loss) for the period 01 January 2011 - 31 December 2011 | 3,770 |
| Revenue for the period 01 January 2012 - 30 June 2012 | 8,711 |
| (Loss) for the period 01 January 2012 - 30 June 2012 | (314) |

On 6 August the Company signed the agreement for the acquisition of additional 50% of the voting shares of UAB Dotnuvos projektai increasing its ownership interest to 100%. Purchase price of LTL 32,000 thousand will be paid till the end of September 2012. Additional information on the subsidiary acquired is presented in Note 8. The fair values of the net assets acquired have not yet been assessed by the Group.

On 14 August 2012 AB Linas Agro has signed credit agreement with AB SEB bank, AB DNB bank and AS „UniCredit Bank" Lietuvos skyrius until 31 July 2013. Total credit limit is EUR 26,100 thousand, each bank will participate by EUR 8,700 thousand.

On 14 August 2012 AB Linas Agro has signed credit agreement with Akola Aps until 4 August 2013. Credit limit is EUR 2,896 thousand.

On 30 August 2012 UAB Linas Agro Grūdų Centras KŪB prolonged the credit line agreement with AB SEB bank till 29 August 2013.

*Company*

On 9 July 2012 the Company has granted LTL 22,545 thousand loan to UAB Linas Agro Konsultacijos, LTL 100 thousand loan to Panevėžio district Aukštadvario ŽŪB.

On 14 August 2012 the Company issued the guarantees to the banks for the liabilities of AB Linas Agro in the amount of LTL 30,039 thousand.

On 16 August 2012 the Company increased the share capital of UAB Linas Agro Konsultacijos by LTL 6,611 thousand.

On 16 August 2012 the Company and UAB Linas Agro Konsultacijos established Noreikiškių ŽŪB with LTL 10 thousand share capital.