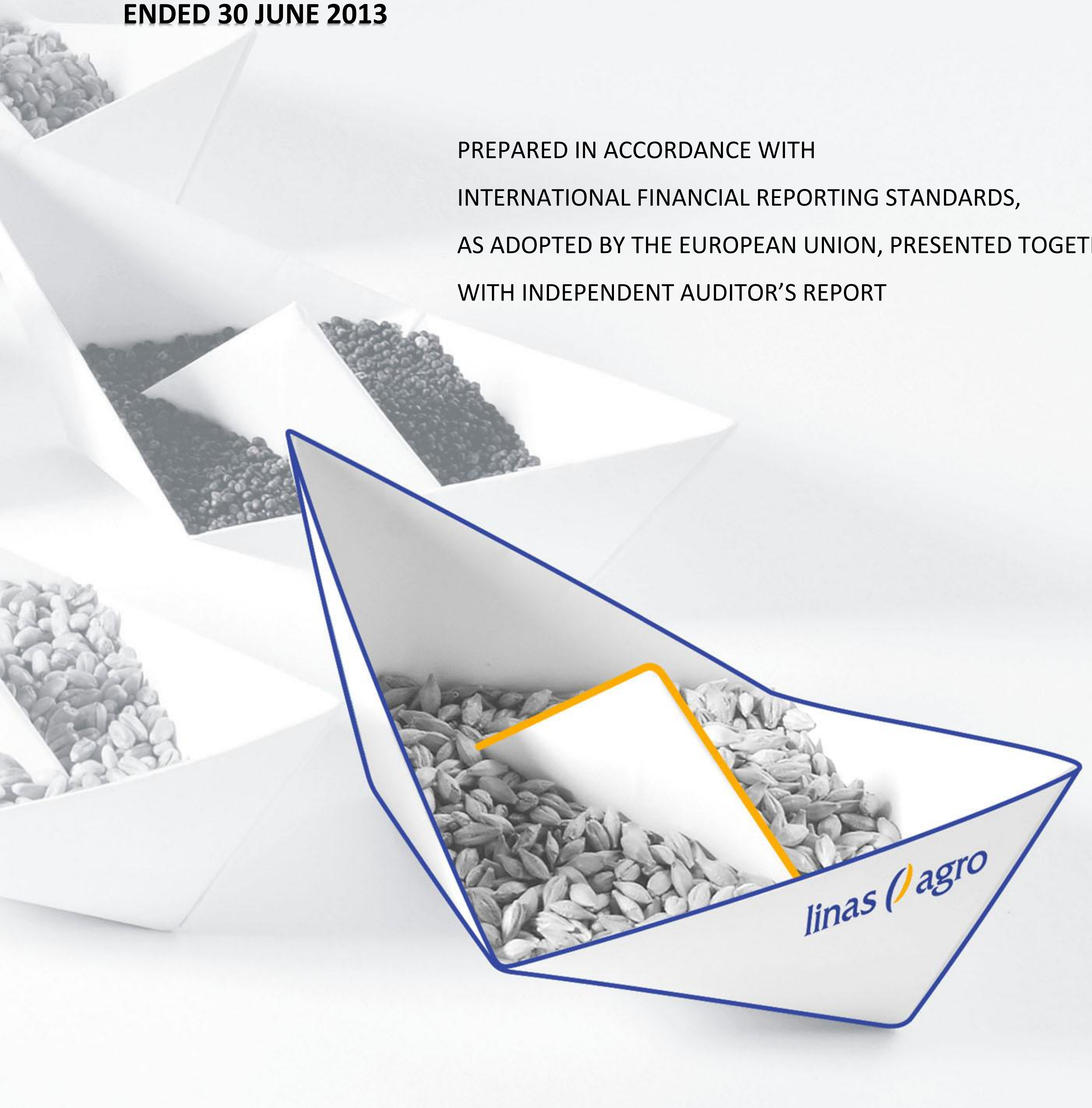
AB LINAS AGRO GROUP

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR 2012/2013

ENDED 30 JUNE 2013

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS,
AS ADOPTED BY THE EUROPEAN UNION, PRESENTED TOGETHER
WITH INDEPENDENT AUDITOR'S REPORT



Building a better working world

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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 2013, 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 2013, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the consolidated Annual Report for the year ended 30 June 2013 and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 30 June 2013.

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

Asta Štreimikienė
Auditor's licence
No. 000382

The audit was completed on 30 September 2013.

STATEMENTS OF FINANCIAL POSITION

	Notes	Group		Company	
		As at 30 June 2013	As at 30 June 2012	As at 30 June 2013	As at 30 June 2012
ASSETS					
Non-current assets					
Intangible assets	5	1,002	612	323	300
Property, plant and equipment	6	196,203	122,256	–	–
Investment property	7	11,927	9,513	486	515
Animals and livestock	11	19,471	11,852	–	–
Non-current financial assets					
Investments into subsidiaries	3	–	–	249,067	202,864
Investments into associates	8	–	286	3,907	4,038
Investments into joint ventures	8	–	29,887	–	4,902
Other investments and prepayments for financial assets	9	9,106	311	30,026	4,905
Non-current receivables	10	3,233	5,446	403	781
Non-current receivables from related parties	33	2,540	3,230	–	–
Total non-current financial assets		14,879	39,160	283,403	217,490
Deferred income tax asset	29	5,845	6,289	8	18
Total non-current assets		**249,327**	**189,682**	**284,220**	**218,323**
Current assets					
Crops	11	40,946	36,395	–	–
Inventories	12	168,116	136,947	–	–
Prepayments	13	9,009	16,407	66	61
Accounts receivable					
Trade receivables	14	273,160	190,888	–	5
Receivables from related parties	33	15,515	3,605	38,346	31,976
Income tax receivable		336	1,043	264	3
Other accounts receivable	15	28,536	17,579	533	180
Total accounts receivable		317,547	213,115	39,143	32,164
Other current financial assets	16	2,202	43,575	–	37,981
Cash and cash equivalents	17	34,240	54,768	3,252	43,919
Total current assets		**572,060**	**501,207**	**42,461**	**114,125**
Total assets		**821,387**	**690,889**	**326,681**	**332,448**

(cont'd on the next page)

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

STATEMENTS OF FINANCIAL POSITION (CONT'D)

EQUITY AND LIABILITIES	Notes	Group		Company	
		As at 30 June 2013	As at 30 June 2012	As at 30 June 2013	As at 30 June 2012
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	7,851	4,401	7,851	4,401
Reserve for own shares	18	1,600	1,600	1,600	1,600
Own shares	18	(1,581)	–	(1,581)	–
Foreign currency translation reserve	18	(138)	(44)	–	–
Retained earnings		190,905	106,809	70,191	72,204
Total equity attributable to equity holders of the parent		**437,122**	**351,251**	**316,546**	**316,690**
Non-controlling interest		**3,374**	**4,805**	**–**	**–**
Total equity		**440,496**	**356,056**	**316,546**	**316,690**
Liabilities					
Non-current liabilities					
Grants and subsidies	19	14,360	11,855	–	–
Non-current borrowings	20	31,885	36,749	–	4,163
Finance lease obligations	21	5,390	2,568	–	–
Non-current trade payables		648	1,263	–	–
Non-current payables to related parties	33	–	54	167	158
Deferred income tax liability	29	2,341	899	–	–
Non-current employee benefits		584	280	–	–
Total non-current liabilities		**55,208**	**53,668**	**167**	**4,321**
Current liabilities					
Current portion of non-current borrowings	20	19,935	10,075	–	–
Current portion of finance lease obligations	21	2,445	1,067	–	–
Current borrowings	20	146,634	179,465	8,227	–
Trade payables	23	96,053	48,994	1,500	–
Payables to related parties	33	3,201	3,642	–	–
Income tax payable		6,250	12,812	–	11,185
Derivative financial instruments	16	2,790	7,572	–	–
Other current liabilities	24	48,375	17,538	241	252
Total current liabilities		**325,683**	**281,165**	**9,968**	**11,437**
Total equity and liabilities		**821,387**	**690,889**	**326,681**	**332,448**

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

Managing Director	Darius Zubas	....	30 September 2013
Finance Director	Tomas Tumėnas	....	30 September 2013
Chief Accountant	Ramutė Masiokaitė	....	30 September 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Financial year ended	
		30 June 2013	**30 June 2012**
Sales	4	2,043,140	1,337,961
Cost of sales	25	(1,884,893)	(1,243,098)
Gross profit		**158,247**	**94,863**
Operating (expenses)	26	(79,560)	(48,868)
Other income	27	29,250	69,919
Other (expenses)	27	(3,878)	(1,333)
Operating profit		**104,059**	**114,581**
Income from financing activities	28	1,691	8,030
(Expenses) from financing activities	28	(8,753)	(9,779)
Share of profit of associates		72	–
Share of profit of joint ventures	8	4,036	2,744
Profit before tax		**101,105**	**115,576**
Income tax	29	(10,607)	(21,277)
Net profit		**90,498**	**94,299**
Attributable to:			
Equity holders of the parent		90,250	89,394
Non-controlling interest		248	4,905
		90,498	**94,299**
Basic and diluted earnings per share (LTL)	30	0.57	0.56
Net profit		**90,498**	**94,299**
Other comprehensive income			
Exchange differences on translation of foreign operations		(94)	3,520
Total comprehensive income		**90,404**	**97,819**
Attributable to:			
Equity holders of the parent		90,156	91,477
Non-controlling interest		248	6,342
		90,404	**97,819**

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

COMPANY'S STATEMENT OF COMPREHENSIVE INCOME

	Notes	Financial year ended	
		30 June 2013	**30 June 2012**
Income	4	5,036	77,831
Operating (expenses)	26	(2,025)	(1,708)
Other income		–	1,913
Operating profit		**3,011**	**78,036**
Income from financing activities	28	3,334	2,277
(Expenses) from financing activities	28	(190)	(278)
Profit before tax		**6,155**	**80,035**
Income tax	29	(214)	(11,122)
Net profit		**5,941**	**68,913**
Other comprehensive income		**–**	**–**
Total comprehensive income		**5,941**	**68,913**

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

Managing Director	Darius Zubas		30 September 2013
Finance Director	Tomas Tumėnas		30 September 2013
Chief Accountant	Ramutė Masiokaitė		30 September 2013

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Own shares	Equity attributable to equity holders of the parent						Non-controlling interest	Total
				Share premium	Legal reserve	Reserve for own shares	Foreign currency translation reserve	Retained earnings	Subtotal		
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**
Balance as at 1 July 2012		**158,940**	**–**	**79,545**	**4,401**	**1,600**	**(44)**	**106,809**	**351,251**	**4,805**	**356,056**
Net profit for the year		–	–	–	–	–	–	90,250	90,250	248	90,498
Other comprehensive income		–	–	–	–	–	(94)	–	(94)	–	(94)
Total comprehensive income		–	–	–	–	–	(94)	90,250	90,156	248	90,404
Acquisition of subsidiaries	3	–	–	–	–	–	–	–	–	581	581
Declared dividends by the Parent	30	–	–	–	–	–	–	(4,500)	(4,500)	–	(4,500)
Declared dividends by subsidiaries		–	–	–	-	–	–	–	–	(36)	(36)
Transfer to legal reserve		–	–	–	3,450	–	–	(3,450)	–	–	–
Acquisition/disposal of own shares	3	–	(1,581)	–	–	–	–	(4)	(1,585)	–	(1,585)
Acquisition of minority interest		–	–	–	–	–	–	1,800	1,800	(2,224)	(424)
Balance as at 30 June 2013		**158,940**	**(1,581)**	**79,545**	**7,851**	**1,600**	**(138)**	**190,905**	**437,122**	**3,374**	**440,496**

(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	Own shares	Share premium	Legal reserve	Reserve for own shares	Retained earnings	Total
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**
Balance as at 1 July 2012		**158,940**	**–**	**79,545**	**4,401**	**1,600**	**72,204**	**316,690**
Net profit for the year		–	–	–	–	–	5,941	5,941
Total comprehensive income		–	–	–	–	–	5,941	5,941
Declared dividends by Company	30	–	–	–	–	–	(4,500)	(4,500)
Transfer to legal reserve		–	–	–	3,450	–	(3,450)	–
Acquisition/disposal of own shares		–	(1,581)	–	–	–	(4)	(1,585)
Balance as at 30 June 2013		**158,940**	**(1,581)**	**79,545**	**7,851**	**1,600**	**70,191**	**316,546**

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

Managing Director	Darius Zubas	....	30 September 2013
Finance Director	Tomas Tumėnas	....	30 September 2013
Chief Accountant	Ramutė Masiokaitė	....	30 September 2013

CASH FLOW STATEMENTS

	Notes	Group		Company	
		Financial year ended		Financial year ended	
		30 June 2013	30 June 2012	30 June 2013	30 June 2012
Cash flows from (to) operating activities					
Net profit		90,498	94,299	5,941	68,913
Adjustments for non-cash items:					
Depreciation and amortisation	5, 6, 7	19,174	9,890	30	30
Subsidies amortisation	19	(1,802)	(1,328)	–	–
Share of profit of associates and joint ventures	8	(4,108)	(2,744)	–	–
(Gain) on disposal of property, plant and equipment	27	(670)	(289)	–	–
Change in impairment of property, plant and equipment	6, 7	(97)	(180)	–	–
Change in impairment of investments	26	–	–	–	(431)
Group (gain) loss on acquisition of subsidiaries	3, 27	(25,465)	1,020	–	–
(Gain) on disposal of subsidiary	27	–	(62,010)	–	(74,391)
(Gain) on disposal of assets held for sale	27	–	(1,060)	–	(2,200)
(Gain) on disposal of other investments		(34)	–	–	–
Change in allowance and write-offs for receivables and prepayments	26	3,720	3,575	–	–
Inventories write down to net realisable value	12	215	13	–	–
Change in accrued expenses		7,952	3,926	(133)	168
Change in fair value of biological assets	25	(4,982)	(7,746)	–	–
Change in deferred income tax	29	40	2,009	10	(63)
Current income tax expenses	29	10,568	19,268	204	11,185
Expenses (income) from change in fair value of financial instruments		1,096	491	–	–
Change of provision for onerous contracts	25	56	(267)	–	–
Dividend (income)		(155)	(36)	(4,756)	(960)
Interest (income)	28	(1,691)	(8,030)	(3,334)	(2,277)
Interest expenses	28	8,753	9,779	190	278
		103,068	**60,580**	**(1,848)**	**252**
Changes in working capital:					
Decrease in biological assets		10,138	4,503	–	–
Decrease (increase) in inventories		24,523	(45,273)	–	–
Decrease (increase) in prepayments		9,469	6,990	(5)	(53)
(Increase)decrease in trade and other accounts receivable		(20,521)	(28,191)	237	168
Decrease (increase) in restricted cash	16	1,912	(2,072)	–	–
(Decrease) increase in trade and other accounts payable		(5,277)	52,522	119	(160)
Income tax (paid)		(15,613)	(5,398)	(11,625)	–
Net cash flows from (to) operating activities		**107,699**	**43,661**	**(13,122)**	**207**

(cont'd on the next page)

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

CASH FLOW STATEMENTS (CONT'D)

	Notes	Group		Company	
		Financial year ended		Financial year ended	
		30 June 2013	30 June 2012	30 June 2013	30 June 2012
Cash flows from (to) investing activities					
(Acquisition) of intangible assets, property, plant and equipment and investment property	5, 6, 7	(28,941)	(23,111)	(23)	–
Proceeds from sale of intangible assets, property, plant and equipment and investment property		3,625	822	–	–
(Acquisition) of subsidiaries (less received cash balance in the Group)	3, 8	(48,679)	(873)	(35,804)	(1,368)
Disposal of subsidiaries (less disposed cash balance in the Group)	3	–	69,759	–	90,754
Disposal of assets held for sale		–	2,000	–	2,000
Proceeds (acquisition) from disposals of held to maturity financial assets	16	38,099	(37,981)	37,981	(37,981)
Prepayments for financial assets	9	(7,373)	–	(7,373)	–
Loans (granted)		(15,660)	(2,121)	(44,149)	(30,113)
Repayment of granted loans		18,616	1,427	13,464	17,154
Interest received		2,263	1,681	4,929	506
Dividends received		155	97	5,627	871
Net cash flows from (to) investing activities		**(37,895)**	**11,700**	**(25,348)**	**41,823**
Cash flows from (to) financing activities					
Proceeds from loans		101,054	131,349	4,000	–
(Repayment) of loans		(174,813)	(126,432)	–	–
(Acquisition) of own shares	30	(1,581)	–	(1,581)	–
Finance lease (payments)		(2,531)	(1,188)	–	–
Interest (paid)		(7,501)	(11,052)	(116)	(160)
Dividends (paid) to non-controlling shareholders		(36)	(22)	–	–
Dividends (paid)		(4,500)	–	(4,500)	-
Acquisition of non-controlling interest		(424)	(872)	–	–
Net cash flows from (to) financing activities		**(90,332)**	**(8,217)**	**(2,197)**	**(160)**
Net (decrease) increase in cash and cash equivalents		**(20,528)**	**47,144**	**(40,667)**	**41,870**
Cash and cash equivalents at the beginning of the year	17	**54,768**	**7,624**	**43,919**	**2,049**
Cash and cash equivalents at the end of the year	17	**34,240**	**54,768**	**3,252**	**43,919**
Supplemental information of cash flows:					
Non-cash investing activity:					
Property, plant and equipment acquisitions financed by finance lease		5,054	2,006	–	–
Property, plant and equipment acquisitions financed by grants and subsidies	19	4,804	4,153	–	–
Unpaid acquisition of property, plant and equipment and / or acquisitions netted with prepayments		–	4,699	–	–
Unpaid acquisition of financial assets		1,500	–	1,500	–

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

Managing Director	Darius Zubas		30 September 2013
Finance Director	Tomas Tumėnas		30 September 2013
Chief Accountant	Ramutė Masiokaitė		30 September 2013

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 St. 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 2013 and 30 June 2012 the shareholders of the Company were:

	As at 30 June 2013		As at 30 June 2012	
	Number of shares held	**Percentage**	**Number of shares held**	**Percentage**
Akola ApS (Denmark)	87,784,443	55.23%	86,081,551	54.16%
Skandinaviska Enskilda Banken AB (Sweden)	15,131,697	9.52%	23,094,969	14.53%
Darius Zubas	17,049,995	10.73%	17,049,995	10.73%
Swedbank AS (Estonia) clients	9,824,7120	6.18%	9,184,040	5.78%
Other shareholders (private and institutional investors)	29,149,551	18.34%	23,529,843	14.80%
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 2013 and 30 June 2012 and were fully paid as at 30 June 2013 and 30 June 2012.

The Company holds 790,972 of its own shares , percentage 0.50%, as at 30 June 2013. Subsidiaries and other related companies did not hold any shares of the Company as of 30 June 2013. The Company, its subsidiaries and other related companies did not hold any shares of the Company as at 30 June 2012.

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 2013 and 30 June 2012 the number of employees of the Group was 1,039 and 595 respectively.
As at 30 June 2013 and 30 June 2012 the number of employees of the Company was 9.

The Company's management approved these financial statements on 30 September 2013. 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 2013 and 30 June 2012.

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 2013 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 the following IFRS amendments:

- Amendment to IAS 1 *Financial Statement Presentation* - Presentation of Items of Other Comprehensive Income (OCI). This amendment changes 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. Since the Group has just one OCI item, the change to its presentation is minimal.
- Amendment *to IAS 12 Income tax* - Deferred tax - Recovery of Underlying Assets. This amendment did not impact the financial statements of the Group, because the Group does not have investment properties accounted at fair value.

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

There are numerous amendments to IAS 19, they range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. Implementation of this amendment will not have any significant impact for the Group's financial statements.

Amendment to IAS 27 *Separate Financial Statements* (effective for financial years beginning on or after 1 January 2014)

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. Implementation of this amendment will not have any impact for the Group's financial statements.

Amendment to IAS 28 *Investments in Associates and Joint Ventures* (effective for financial years beginning on or after 1 January 2014)

As a result of the new standards IFRS 10, IFRS 11 and IFRS 12 this standard was renamed and addresses the application of the equity method to investments in joint ventures in addition to associates. The implementation of this amendment will not have any impact on the financial statements of the Group as the Group does not have any investment to joint ventures and associates as at 30 June 2013.

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

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 Group has not yet evaluated the impact of the implementation of this amendment.

Amendment to IAS 36 *Impairment of Assets* (effective for financial years beginning on or after 1 January 2014, once endorsed by the EU)

2. ACCOUNTING POLICIES (CONT'D)

2.1. BASIS OF PREPARATION (CONT'D)

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

This amendment adds a few additional disclosure requirements about the fair value measurement when the recoverable amount is based on fair value less costs of disposal and removes an unintended consequence of IFRS 13 to IAS 36 disclosures. The amendment will not have any impact on the financial position or performance of the Group, however may result in additional disclosures.

Amendment to IAS 39 *Financial Instruments: Recongnition and Measurement* (effective for financial years beginning on or after 1 January 2014, once endorsed by the EU)

The amendment provides relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. 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)

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 amendments will affect only the disclosures in the Group's financial statements.

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 2014)

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 2014)

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. The Group has not yet evaluated the impact of the implementation of this standard.

IFRS 12 *Disclosures of Interests in Other Entities* (effective for financial years beginning on or after 1 January 2014)

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.

Amendments to IFRS 10, IFRS 12 and IAS 27 - *Investment Entities* (effective for financial years beginning on or after 1 January 2014, once endorsed by the EU)

The amendments apply to entities that qualify as investment entities. The amendments provide an exception to the consolidation requirements of IFRS 10 by requiring investment entities to measure their subsidiaries at fair value through profit or loss, rather than consolidate them. The implementation of this amendment will not have any impact on the financial statements of the Group, as the parent of the Group is not an investment entity.

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 13 Fair Value Measurement (effective for financial years beginning on or after 1 January 2013)

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. The Group has not yet evaluated the impact of the implementation of this standard.

Improvements to IFRSs (effective for financial years beginning on or after 1 January 2013)

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 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)

This interpretation applies to stripping costs incurred in surface mining activity during the production phase of the mine ('production stripping costs'). Interpretation will have no impact on the Group's financial statements, as the Group is not involved in mining activity.

IFRIC Interpretation 21 Levies (effective for financial years beginning on or after 1 January 2014, once endorsed by the EU)

This interpretation addresses the accounting for levies imposed by governments. Liability to pay a levy is recognized in the financial statements when the activity that triggers the payment of the levy occurs. The Group has not yet evaluated the impact of the implementation of this intepretation.

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

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. Translation difference is presented under other activities caption in the Group's financial statements and under operating expenses caption in the Company's separate financial statements.

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 statement of comprehensive income under other activities caption.

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. ACCOUNTING POLICIES (CONT'D)

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. 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. 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 statement of comprehensive income.
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 statement of comprehensive income.

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.

2. ACCOUNTING POLICIES (CONT'D)

2.4. INVESTMENTS INTO ASSOCIATES (CONT'D)

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.

2.6. 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. ACCOUNTING POLICIES (CONT'D)

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 statement of comprehensive income 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.

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 statement of comprehensive income 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. ACCOUNTING POLICIES (CONT'D)

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 statement of comprehensive income.

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 statement of comprehensive income 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 statement of comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

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 statement of comprehensive income. 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.

2. ACCOUNTING POLICIES (CONT'D)

2.10 DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES (CONT'D)

Financial liabilities

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

2.11. 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.

2.12. 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. ACCOUNTING POLICIES (CONT'D)

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 statement of comprehensive income over the period of the borrowings, except for the capitalized part which is presented below.

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.

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 the statement of comprehensive income 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 and sale 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 statement of comprehensive income.

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 statement of comprehensive income. 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 statement of comprehensive income.

2. ACCOUNTING POLICIES (CONT'D)

2.16. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONT'D)

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 statement of comprehensive income.

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 statement of comprehensive income 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.

2.17. 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 statement of comprehensive income 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.

2. ACCOUNTING POLICIES (CONT'D)

2.19. PROVISIONS (CONT'D)

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 statement of comprehensive income.

2.20. NON-CURRENT EMPLOYEE BENEFITS

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

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 statement of comprehensive income as incurred.

2.21. 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).

2.22. 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 statement of comprehensive income, 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. ACCOUNTING POLICIES (CONT'D)

2.23. 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 2013 and 30 June 2012 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, Radviliškis district Sidabravo ŽŪB, Biržai district Medeikių ŽŪB, Panevėžys district Aukštadvario ŽŪB, Užupės ŽŪB, Kėdainiai district Labūnavos 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, 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 2013	**30 June 2012**
Republic of Latvia	15%	15%
Republic of Ukraine*	21%	21%
Republic of Estonia**	–	–
Kingdom of Denmark	25%	25%

**Effective from 1 January 2012, the corporate income tax rate is 21%.*
***In Estonia, the taxation of profit of operating subsidiaries is deferred until the profit appropriation moment, i.e. payment of dividends. Furthermore, the dividends paid by the Group's companies in Estonia are taxed at the withholding tax rate of 21 %, if the ownership share of the non resident recipient of the dividends does not exceed 10 % and another tax rate is not mentioned in the conventions on avoidance of double taxation.*

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. ACCOUNTING POLICIES (CONT'D)

2.24. 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.

2.25. 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. ACCOUNTING POLICIES (CONT'D)

2.26. 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 statement of comprehensive income. 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 statement of comprehensive income. 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 statement of comprehensive income 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 statement of comprehensive income.

2. ACCOUNTING POLICIES (CONT'D)

2.27. 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.

2.28. 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 as follows.

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 2.26, 3, 6, 7, 8, 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.

2. ACCOUNTING POLICIES (CONT'D)

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

Valuation of biological assets

As at 30 June 2013 and 30 June 2012 the Group did not have an independent appraisal of its biological assets. According to IFRS, such assets must be recorded at fair 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 less cost to sell at the reporting date. Crops are valued at market prices less costs to sell at the reporting date.

<u>Milking cows</u>

As at 30 June 2013 the key assumptions used to determine fair value of milking cows are the estimated gross margin (21% for the year ending 30 June 2014 and 23% for the year ending 30 June 2015) used to calculate the expected future cash inflows as well as pre-tax discount rate (11%). 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%).

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

	30 June 2013		**30 June 2012**	
	Possible change	**Effect on fair value**	**Possible change**	**Effect on fair value**
Gross margin	+ 3%	1,156	+ 3%	743
Gross margin	- 3%	(1,070)	- 3%	(743)
Discount rate	+ 1%	(177)	+ 1%	(118)
Discount rate	- 1%	180	- 1%	97

<u>Crops</u>

As at 30 June 2013 the key assumptions used to determine fair value of crops are the estimated yield ranges depending on the type of crops (3.0 – 5.5 tones/ha for the year ending 30 June 2013 and 2.46 – 6.25 tones/ha for the year ending 30 June 2012) 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 2013 and 30 June 2012 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.

As at 30 June 2013 and 30 June 2012 there were no reasonably possible changes in the key assumptions which would cause the carrying amount of land to exceed its recoverable amount, except for already impaired assets.

2. ACCOUNTING POLICIES (CONT'D)

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

Impairment of the Company's investments

As at 30 June 2013 and 30 June 2012 the Company has investments in subsidiaries, associates and joint ventures. As at 30 June 2013 and 30 June 2012 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.

As at 30 June 2013 and 30 June 2012 the recoverable amount of the investment into AB Linas Agro is most sensitive to the pre-tax discount rate (12.4% and 12.4% 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 2013 and 30 June 2012 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 2013 and 30 June 2012 the Company accounted for impairment so as the carrying amount of the investments would not exceed their respective recoverable amounts (Note 3).

2.29. 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.

2.30. 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.

2.31. 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 2013 and 30 June 2012 the Company held these directly and indirectly controlled subsidiaries (hereinafter the Group):

	Place of regist-ration	Effective share of the stock held by the Group		Cost of investment in the Company		Profit (loss) for the year ended 30 June 2013	Equity as of 30 June 2013	Main activities
		30 June 2013	30 June 2012	30 June 2013	30 June 2012			
Investments into directly controlled subsidiaries								
AB Linas Agro	Lithuania	100%	100%	195,277	195,277	32,698	171,165	Wholesale trade of grains and oilseeds, feedstuffs and agricultural inputs
UAB Linas Agro Konsultacijos	Lithuania	100%	100%	10,168	3,132	1,471	13,144	Management of the subsidiaries engaged in agriculture
UAB Dotnuvos Projektai	Lithuania	100%	50%	36,902	–*	5,448	78,711	Trade of machinery and equipment for warehousing of grains, certified seeds
UAB Jungtinė Ekspedicija	Lithuania	100%	45%	1,177	–*	22	817	Expedition and ship's agency services
ŽŪB Landvesta 1	Lithuania	100%	100%	900	900	188	1,442	Rent and management of agricultural purposes land
ŽŪB Landvesta 2	Lithuania	100%	100%	1,443	1,443	128	857	Rent and management of agricultural purposes land
ŽŪB Landvesta 3	Lithuania	100%	100%	689	689	39	171	Rent and management of agricultural purposes land
ŽŪB Landvesta 4	Lithuania	100%	100%	378	367	35	(20)	Rent and management of agricultural purposes land
ŽŪB Landvesta 5	Lithuania	100%	100%	975	975	150	866	Rent and management of agricultural purposes land
ŽŪB Landvesta 6	Lithuania	100%	100%	285	276	252	276	Rent and management of agricultural purposes land
Noreikiškių ŽŪB	Lithuania	100%	–	1,009	–	(12)	998	Rent and management of agricultural purposes land
UAB Lineliai (former-UAB Labūnava 2)	Lithuania	100%	–	59	–	(6)	58	Rent and management of agricultural purposes land
				249,262	203,059			
Less: impairment				(195)	(195)			
				249,067	202,864			
Investments into indirectly controlled subsidiaries (through AB Linas Agro)								
SIA Linas Agro	Latvia	100%	100%	–	–	5,727	12,332	Wholesale trade of grains and oilseeds, agricultural inputs
UAB Gerera	Lithuania	100%	100%	–	–	(12)	189	Not operating company
UAB Linas Agro Grūdų Centras	Lithuania	100%	100%	–	–	(6)	269	Management services
UAB Linas Agro Grūdų Centras KŪB	Lithuania	100%	100%	–	–	11,044	57,315	Preparation and warehousing of grains for trade
Linas Agro A/S	Denmark	100%	100%	–	–	2,599	7,952	Wholesale trade of grains and oilseeds, feedstuffs
UAB Lignineko	Lithuania	100%	100%	–	–	(1,125)	(728)	Manufacturing of lignin

**Accounted as investments into associates/joint ventures as at 30 June 2012.*

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

	Place of registration	Effective share of the stock held by the Group 30 June 2013	Effective share of the stock held by the Group 30 June 2012	Cost of investment in the Company 30 June 2013	Cost of investment in the Company 30 June 2012	Profit (loss) for the year ended 30 June 2013	Equity as of 30 June 2013	Main activities
Investments into indirectly controlled subsidiaries (through UAB Linas Agro Konsultacijos)								
ŽŪK KUPIŠKIO GRŪDAI	Lithuania	97.72%	96.16%	–	–	783	2,846	Preparation and warehousing of grains for trade
Biržai district Medeikių ŽŪB	Lithuania	98.39%	98.39%	–	–	2,194	8,749	Growing and sale of crops
Šakiai district Lukšių ŽŪB	Lithuania	98.82%	98.80%	–	–	4,326	28,295	Mixed agricultural activities
Panevėžys district Aukštadvario ŽŪB	Lithuania	96.92%	96.76%	–	–	1,940	9,774	Mixed agricultural activities
Sidabravo ŽŪB	Lithuania	87.23%	70.28%	–	–	3,062	13,154	Mixed agricultural activities
Užupės ŽŪB	Lithuania	100%	100%	–	–	1,685	8,504	Growing and sale of crops
UAB Paberžėlė (former-Edfermus 2)	Lithuania	100%	100%	–	–	(6)	201	Rent and management of agricultural purposes land
Kėdainiai district Labūnavos ŽŪB	Lithuania	98.64%	0.09%	–	–	(346)	38,979	Mixed agricultural activities
Investments into indirectly controlled subsidiaries (through UAB Dotnuvos Projektai)								
SIA DOTNUVOS PROJEKTAI	Latvia	100%	50%*	–	–	(1,459)	(581)	Trade of machinery and equipment for warehousing of grains, certified seeds
AS Dotnuvos Projektai	Estonia	100%	50%*	–	–	115	(296)	Trade of machinery and equipment for warehousing of grains, certified seeds
UAB Dotnuvos technika	Lithuania	100%	50%*	–	–	–	–	Not operating company
Investment into indirectly controlled subsidiaries (through UAB Linas Agro Grūdų centras KŪB)								
Karčemos kooperatinė bendrovė	Lithuania	20%**	20%**	–	–	24	32	Preparation and warehousing of grains for trade
SIA Linas Agro Graudu centrs	Latvia	100%	–	–	–	(28)	(18)	Preparation and warehousing of grains for trade

**Accounted as investments into joint ventures as at 30 June 2012.*

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

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

Changes in the Group during the year ended 30 June 2013

On 13 July 2012 the Group acquired 98.55% shares of Kėdainiai district Labūnavos ŽŪB for LTL 22,545 thousand from previous owners to further expand business activities. After the share acquisition the Group directly controls 98.64% of the investee. Fair value of previously held equity interest is immaterial, therefore not taken into consideration. As at acquisition date Labūnavos ŽŪB did not have any impaired accounts receivable or contractual cash flows not expected to be collected, book value of receivables represent its fair value. Differences between the purchase consideration and fair values of the acquired assets, liabilities and contingnt liabilities at the acquisition date were the following:

Property, plant and equipment, intangible assets and investment property	24,288
Animals and livestock	5,718
Crops	9,456
Inventories	2,770
Prepayments and other current assets	2,058
Cash and cash equivalents	3,067
Total assets	**47,357**
Deferred tax liability	(870)
Grants and subsidies	(1,315)
Trade payables	(1,326)
Other liabilities	(1,110)
Total liabilities	**(4,621)**
Total identifiable net assets at fair value	**42,736**
Non-controlling interest measured at the proportionate share of net assets at fair value	(581)
Gain recognized on acquisition of subsidiary, recognised under Other income (Note 27)	19,608
Total purchase consideration	**22,547**
Cash consideration transferred	22,547
Less: cash acquired	(3,067)
Total cash consideration transferred, net of cash acquired	**19,480**

Kėdainiai district Labūnavos ŽŪB revenue and profit or loss since acquisition date were:

	Since acquisition date
Revenue	17,978
Profit (loss)	(346)

The bargain purchase resulted due to the former shareholders' approach to the business from the book value point of view rather than fair value of total identifiable net assets. In addition, the ownership of Kėdainiai district Labūnavos ŽŪB was dispersed into large number of small interests before acquisition what resulted in more favourable transaction for the buyer.

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

Changes in the Group during the year ended 30 June 2013 (cont'd)

On 11 October 2012 the Company acquired 50% shares of UAB Dotnuvos Projektai for 32,000 thousand to further expand business activities, and increased its ownership interest from 50% to 100%. Before this acquisition the Company had 50% of UAB Dotnuvos Projektai (joint-venture) and accounted for this investment using the equity method in the consolidated financial statements. Differences between the purchase consideration and fair values of the acquired assets, liabilities and contingnt liabilities at the acquisition date were the following:

Property, plant and equipment, intangible assets and investment property	38,977
Other non-current assets	9,225
Inventories	58,675
Prepayments and other current assets	73,413
Cash and cash equivalents	2,976
Total assets	**183,266**
Non-current liabilities	(6,851)
Grants and subsidies	(885)
Deferred tax liability	(999)
Current borrowings	(41,027)
Trade payables	(38,740)
Other liabilities	(22,409)
Total liabilities	**(110,911)**
Total identifiable net assets at fair value	**72,355**
Cost (previously accounted at equity method) of initially held equity interest	33,890
Group (loss) re-measuring to fair value the initially held equity interest	(1,890)
Acquisition date fair value of initially held equity interest	**32,000**
Cash consideration transferred	32,000
Total purchase consideration	**64,000**
Gain from a bargain purchase	8,355
Group (loss) on remeasuring to fair value the initially held equity interest	(1,890)
Gain recognized on acquisition of subsidiary, recognized under Other Income (Note 27)	**6,465**
Cash consideration transferred	32,000
Less: cash acquired	(2,976)
Total cash consideration transferred, net of cash acquired	**29,024**

UAB Dotnuvos Projektai sub-group fair value of the receivables as at the date of acquisition were:

	Trade receivables	**Other current receivables**
The gross contractual amounts receivable	63,065	2,076
The best estimate at the acquisition date of the contractual cash flows not expected to be collected	(2,112)	(339)
The fair value of the receivables	**60,953**	**1,737**

UAB Dotnuvos Projektai sub-group revenue and profit or loss since acquisition date and from the beginning of the annual reporting period were:

	Since acquisition date	**Since 1 July 2012**
Revenue	201,449	274,032
Profit (loss)	4,104	12,128

The bargain purchase resulted due to the former shareholders' approach to the business from the book value point of view rather than fair value of total identifiable net assets.

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

Changes in the Group during the year ended 30 June 2013 (cont'd)

On 28 February 2013 the Company acquired 54.95% shares of UAB Jungtinė Ekspedicija for LTL 1,045 thousand to further expand business activities, and increased its ownership interest to 100%. As at acquisition date UAB Jungtinė Ekspedicija did not have any impaired accounts receivable or contractual cash flows not expected to be collected, book value of receivables represent its recoverable amount. Revenue and profit or loss since acquisition date and from the beginning of the annual reporting period are not disclosed as they are not material to the financial statements.
Differences between the purchase consideration and fair values of the acquired assets, liabilities and contingnt liabilities at the acquisition date were the following:

Property, plant and equipment, intangible assets and investment property	201
Trade receivables and other current assets	917
Cash and cash equivalents	867
Total assets	**1,985**
Trade payables	(905)
Other liabilities	(285)
Total liabilities	**(1,190)**
Total identifiable net assets at fair value	**795**
Fair value of initially held equity interest	358
Total purchase consideration	1,045
Difference written-off to profit (loss) (Note 27)	**(608)**
Cash consideration transferred	1,045
Less: cash acquired	(867)
Total cash consideration transferred, net of cash acquired	**178**

On 16 August 2012 the Group established Noreikiškių ŽŪB with LTL 10 thousand share capital and increased share capital up to LTL 1,009 thousand.

On 2 May 2013 a subsidiary of AB Linas Agro Group UAB Linas Agro Grūdų centras KŪB established subsidiary in Latvia SIA Linas Agro Graudu Centrs for LTL 10 thousand share capital.

Subsidiary UAB Lineliai was acquired from Kėdainiai district Labūnavos ŽŪB in amount of LTL 9 thousand.

During the 12 month period, ended 30 June 2013 the Group acquired 0.02% Šakių district Lukšių ŽŪB share capital for LTL 1 thousand, 16.95% Sidabravo ŽŪB share capital for LTL 423 thousand, 0.16% Panevėžio district Aukštadvario ŽŪB for LTL 1 thousand. All the shares were acquired from the non-controlling shareholders. The difference of LTL 1,768 thousand of gain between the consideration transferred and the carrying value of the interest acquired has been recognised within equity.

The Company increased share capital of UAB Linas Agro Konsultacijos, UAB Lineliai, ŽŪB Landvesta 4 and ŽŪB Landvesta 6 in amount of LTL 7,036 thousand, LTL 50 thousand, LTL 11 thousand and LTL 9 thousand, respectively.

Acquisition off non-controlling interest in Šakiai district Lukšių ŽŪB and Sidabravo ŽŪB have resulted in an increase of the effective Group ownership of ŽŪK KUPIŠKIO GRŪDAI by 1.56% up to 97.72% as at 30 June 2013 with a result of LTL 32 thousand of gain accounted directly in equity.

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

Changes in the Group during the year ended 30 June 2012

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 the contingent consideration arrangement is EUR 0 thousand as at acquisition date. It was estimated using probability-weighted payout approach.

On 6 February 2012 the Company sold all shares of PC-JS UKRAGRO NPK. Differences 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.

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 kooperatinė bendrovė 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 statement of comprehensive income, 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.

4. SEGMENT INFORMATION

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

- the grain and feedstuff handling and merchandising includes trade in wheat, rapeseed, barley and other grains and oilseeds, suncake and sunmeal, sugar beat pulp, soyameal, vegetable oil, rapecake and other feedstuffs, grain storage and logistics services.
- the products and services for farming segment includes sales of fertilizers, seeds, plant protection products, machinery and equipment, grain storage facilities, spare parts and other equipments to agricultural produce growers and grain storage companies.
- the agricultural production 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 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 segments.

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

Group **Financial year ended 30 June 2013**	**Grain and feedstuff handling and merchandising**	**Products and services for farming**	**Agricultural production**	**Other**	**Not attributed to any specified segment**	**Adjust-ments and elimina-tions**	**Total**
Revenue							
From one client UAB MESTILLA	119,843	12	–	–	–	–	119,855
Other third parties	1,509,161	368,733	44,183	1,208	–	–	1,923,285
Intersegment	2,872	28,019	36,284	9,530	–	(76,705)[1)]	–
Total revenue	**1,631,876**	**396,764**	**80,467**	**10,738**	**–**	**(76,705)**	**2,043,140**
Results							
Operating expenses	19,779	20,794	8,607	936	29,444[6)]	–	79,560
Depreciation and amortisation	5,766	2,344	7,228	230	1,804	–	17,372
Provisions for onerous contracts	56	–	–	–	–	–	56
Write-off bad debts and provisions for doubtful debts	2,170	974	1	2	573	–	3,720
Gain (loss) on acquisition of subsidiary companies	(608)	6,465	19,608	–	–	–	25,465
Segment operating profit (loss)	**80,723**	**26,396**	**28,425**	**(247)**	**(31,238)**	–	**104,059**
Share of profit of joint ventures	–	4,036	–	–	–	–	4,036
Assets							
Capital expenditure[2)]	17,843	4,228	9,232	2,351	5,149	–	38,803
Non-current assets (excluding investments into associates and joint ventures)	85,923	34,084	84,371	11,294	33,655[3)]	–	249,327
Current assets	134,424	336,205	56,912	4,861	39,658[4)]	–	572,060
Total assets	**220,347**	**370,289**	**141,283**	**16,155**	**73,313**	**–**	**821,387**
Current liabilities	66,016	190,910	8,485	1,347	58,925[5)]	–	325,683

4. SEGMENT INFORMATION (CONT'D)

Group **Financial year ended 30 June 2012**	**Grain and feedstuff handling and merchandising**	**Products and services for farming**	**Agricultural production**	**Other**	**Not attributed to any specified segment**	**Adjust-ments and elimina-tions**	**Total**
Revenue							
From one client UAB MESTILLA	93,389	–	–	–	–	–	93,389
Other third parties	810,590	402,697	28,204	3,081	–	-	1,244,572
Intersegment	2,511	12,232	18,830	6,061	–	(39,634)[1)]	–
Total revenue	**906,490**	**414,929**	**47,034**	**9,142**	**–**	**(39,634)**	**1,337,961**
Results							
Operating expenses	10,520	12,015	3,832	813	21,688[6)]	–	48,868
Depreciation and amortisation	5,183	1,021	1,862	146	350	–	8,562
Provisions for onerous contracts	(267)	–	–	–	–	–	(267)
Write-off bad debts and provisions for doubtful debts	558	1,729	4	(5)	–	–	2,286
Gain (loss) on disposal of subsidiary companies	–	62,010	–	–	–	–	62,010
Segment operating profit (loss)	**31,727**	**89,202**	**8,621**	**1,540**	**(16,509)**	**–**	**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)]	14,266	3,537	11,732	2,638	474	–	32,647
Non-current assets (excluding investments into associates and joint ventures)	77,946	716	54,546	8,175	18,126[3)]	–	159,509
Current assets	150,110	192,534	47,365	1,906	109,292[4)]	–	501,207
Total assets	**228,342**	**223,137**	**101,911**	**10,081**	**127,418**	**–**	**690,889**
Current liabilities	99,039	131,329	8,860	336	41,601[5)]	–	281,165

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, part of property, plant and equipment, 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 2013 and 2012 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) The operating expenses of administration, management departments are shown in Not attributed to any specified segment. The operating expenses of agricultural department are shown in the following order: ½ share in Grain and feedstuff handling and merchandising segment , the rest share in Products and services for farming.
7) During the financial year ended 30 June 2013, the Group's management decided to change reporting business segments:
- Grain and feedstuff handling and merchandising segment will combine the former segments Grains and Oilseeds, Feedstuffs, also are added grain storage and logistics services from the former segment Other products and services;
- Products and services for farming segment will combine the former segments Agricultural inputs and Machinery and equipment;
- Agricultural production segment changed the name of segment from previous name Farming;
- Other segment will combine the sales of biofuel, other products and services not attributed to mentioned segments;

Change in reporting business segments was made restrospectively and disclosed in current year financial statements.

4. SEGMENT INFORMATION (CONT'D)

Sales / Income includes:

	Group		Company	
	Financial year ended			
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
Sales of goods*	2,017,606	1,321,302	–	–
Sales of services	25,534	16,659	100	100
Gain on disposal of subsidiary companies (Note 3)	–	–	–	74,391
Gain on disposal of assets held for sale	–	–	–	2,200
Dividends from subsidiaries	–	–	4,756	–
Rental income from investment and other property	–	–	180	180
Dividends from associates	–	–	–	960
	2,043,140	1,337,961	5,036	77,831

**Increase in sales of goods is influenced by good harvest, increased purchase price of commodities in current year and acquisitions of new subsidiaries.*

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

	Group	
	Financial year ended	
Revenue from external customers	30 June 2013	30 June 2012
Lithuania	533,255	320,907
Europe (except for Scandinavian countries, CIS and Lithuania)	425,090	299,213
Scandinavian countries	427,310	239,854
Africa	20,336	57,191
Asia	605,426	136,143
CIS	31,723	284,653
	2,043,140	1,337,961

Revenue from two largest customers amounted to LTL 288,363 thousand and LTL 264,816 thousand, respectively for the year ended 30 June 2013. Sales are accounted for under grain and feedstuff handling and merchandising caption of business segments. 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.

Non-current assets	Group	
	As at 30 June 2013	As at 30 June 2012
Lithuania	196,140	132,084
Latvia*	7,751	179
Estonia*	5,152	–
Denmark	89	118
	209,132	132,381

** Increase is influenced by acquisition of UAB Dotnuvos Projektai sub-group.*

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

5. INTANGIBLE ASSETS

Group	Software	Other intangible assets	Total
Cost:			
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
Additions	219	242	461
Additions of subsidiaries (Note 3)	39	32	71
Write-offs	(2)	(100)	(102)
Balance as of 30 June 2013	2,063	344	2,407
Accumulated amortization:			
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
Charge for the year	106	22	128
Write-offs	(2)	(86)	(88)
Balance as of 30 June 2013	1,334	71	1,405
Net book value as of 30 June 2013	**729**	**273**	**1,002**
Net book value as of 30 June 2012	**577**	**35**	**612**
Net book value as of 30 June 2011	**333**	**33**	**366**

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

Part of the intangible assets of the Group with the acquisition value of LTL 1,504 thousand as at 30 June 2013 was fully amortized (LTL 1,251 thousand as at 30 June 2012) 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 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
Additions	1,928	6,057	6,533	4,169	2,699	13,321	34,707
Acquisition of subsidiaries (Note 3)	4,568	31,182	18,744	4,694	1,502	2,247	62,937
Disposals and write-offs	(2)	(8)	(3,397)	(1,288)	(827)	(41)	(5,563)
Transfers to/from investment property (Note 7)	427	2,317	–	–	–	–	2,744
Reclassifications	–	12,838	5,913	19	608	(19,378)	–
Exchange differences	–	(25)	(2)	(10)	(4)	–	(41)
Balance as of 30 June 2013	17,682	149,911	86,946	14,548	13,729	7,824	290,640
Accumulated depreciation:							
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
Charge for the year	–	9,271	9,666	2,069	1,225	–	22,231
Disposals and write-offs	–	(8)	(1,573)	(990)	(620)	–	(3,191)
Transfers from investment property	–	671	–	–	–	–	671
Exchange differences	–	(1)	2	–	–	–	1
Balance as of 30 June 2013	–	38,650	40,991	5,192	7,989	–	92,822
Impairment losses:							
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
(Reversal) charge for the year	(26)	-	16	(3)	2	–	(11)
Transfers from investment property	8	1,128	–	–	–	–	1,136
Balance as of 30 June 2013	–	1,577	35	–	3	–	1,615
Net book value as of 30 June 2013	**17,682**	**109,684**	**45,920**	**9,356**	**5,737**	**7,824**	**196,203**
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**

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

The Group's depreciation charge for the years ended 30 June 2013 and 30 June 2012 was included into the following captions of the statement of financial position and the statement of comprehensive income:

	Financial year ended	
	30 June 2013	**30 June 2012**
Cost of sales	15,069	7,784
Biological assets	2,561	1,654
Operating expenses	3,865	1,803
Other expenses	5	113
Raw materials and other inventories	731	643
	22,231	11,997

Depreciation amount was decreased in the statement of comprehensive income by LTL 1,802 thousand for the year ended 30 June 2013 (LTL 1,328 thousand for the year ended 30 June 2012) by the amortisation of grants received by the Group (Note 19).

As at 30 June 2013 part of property, plant and equipment of the Group with the net book value of LTL 120,796 thousand (LTL 84,810 thousand as at 30 June 2012), was pledged to banks as a collateral for the loans (Note 20).

Part of property, plant and equipment with the acquisition cost of LTL 33,054 thousand was fully depreciated as at 30 June 2013 (LTL 15,335 thousand as at 30 June 2012), 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 and land and buildings which were not used in the Group's activities as at 30 June 2013.

	Land	Buildings	Total
Cost:			
Balance as of 30 June 2011	7,781	3,297	11,078
Additions	1,122	–	1,122
Disposals	(65)	–	(65)
Transfers to property, plant and equipment	(610)	–	(610)
Balance as of 30 June 2012	8,228	3,297	11,525
Additions	3,239	400	3,639
Acquisition of subsidiaries (Note 3)	456	–	456
Disposals and write-offs	(716)	–	(716)
Transfers to property, plant and equipment	(427)	(2,317)	(2,744)
Exchange differences	(7)	–	(7)
Balance as of 30 June 2013	10,773	1,380	12,153
Accumulated depreciation:			
Balance as of 30 June 2011	–	696	696
Charge for the year	–	94	94
Balance as of 30 June 2012	–	790	790
Charge for the year	–	107	107
Transfers to property, plant and equipment	–	(671)	(671)
Balance as of 30 June 2013	–	226	226
Impairment losses:			
Balance as of 30 June 2011	242	1,128	1,370
(Reversal) charge for the year	(148)	–	(148)
Balance as of 30 June 2012	94	1,128	1,222
(Reversal) charge for the year	(86)	–	(86)
Transfers to property, plant and equipment	(8)	(1,128)	(1,136)
Balance as of 30 June 2013	–	–	–
Net book value as of 30 June 2013	**10,773**	**1,154**	**11,927**
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**

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 2011, 30 June 2012 and 30 June 2013	626
Accumulated depreciation:	
Balance as at 30 June 2011	81
Charge for the year	30
Balance as at 30 June 2012	111
Charge for the year	29
Balance as at 30 June 2013	140
Net book value as at 30 June 2013	**486**
Net book value as at 30 June 2012	**515**
Net book value as at 30 June 2011	**545**

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

7. INVESTMENT PROPERTY (CONT'D)

As at 30 June 2013 part of investment property of the Group with the net book value of LTL 8,427 thousand (LTL 8,694 thousand as at 30 June 2012), was pledged to banks as a collateral for the loans (Note 20). As at 30 June 2013 and 2012 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).

As at 30 June 2013 part of investment property of the Group and the Company with the net book value of LTL 2,370 thousand and LTL 438 thousand, respectively (LTL 676 thousand and LTL 465 thousand, respectively as at 30 June 2012) was not used in the Group's and the Company's activities.

Fair value of the Group's and the Company's investment property as at 30 June 2013 is LTL 18,612 thousand and LTL 1,710 thousand, respectively (as at 30 June 2012 LTL 12,077 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

As at 30 June 2013 and 30 June 2012 the Group had investments into the following associates and joint ventures:

	Place of registration	Effective share held by the Group		Main activities
		As at 30 June 2013	As at 30 June 2012	
Associates				
UAB Jungtinė Ekspedicija	Lithuania	–*	45.05%	Expedition and ship's agency services
Joint ventures				
UAB Dotnuvos Projektai	Lithuania	–*	50.00%	Sale of seeds, agricultural machinery
Companies controlled by UAB Dotnuvos Projektai				
UAB Dotnuvos Technika	Lithuania	–*	50.00%	Dormant
SIA DOTNUVOS PROJEKTAI	Latvia	–*	50.00%	Sale of seeds, agricultural machinery
AS Dotnuvos Projektai	Estonia	–*	50.00%	Sale of seeds, agricultural machinery

** Change in ownership resulted due to additional acquisitions disclosed in Note 3.*

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
Investments into joint ventures							
UAB Dotnuvos Projektai (consolidated)	29,887	8,131	174,067	33,790	124,834	4,398	94,447

8. INVESTMENTS INTO ASSOCIATES, JOINT VENTURES (CONT'D)

Movements of investments into associates and joint ventures for the years ended 30 June 2013 and 30 June 2012 are the following:

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
Share profit of associates and joint ventures (after eliminations of unrealised gains)	4,108
Associates and joint ventures transferred to subsidiaries	(34,281)
Balance as at 30 June 2013	–

Information on associates and joint ventures of the Company as at 30 June 2013 and 30 June 2012 was as follows:

	Share of the stock held by the Company		Cost of investment	
	As at 30 June 2013	**As at 30 June 2012**	**As at 30 June 2013**	**As at 30 June 2012**
Investments into associates				
UAB Jungtinė Ekspedicija	–	45.05%	–	131
UAB Linas Agro Grūdų centras KŪB	24.70%	24.70%	3,907	3,907
			3,907	4,038
Investments into joint ventures				
UAB Dotnuvos Projektai	–	50.00%	–	4,902
				4,902

9. OTHER INVESTMENTS AND PREPAYMENTS FOR FINANCIAL ASSETS

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

	Share held by the Group	Group		Company	
		As at 30 June 2013	**As at 30 June 2012**	**As at 30 June 2013**	**As at 30 June 2012**
Prepayment for financial assets to be acquired		8,873	–	8,873	–
Prepayment for increase of share capital of UAB Linas Agro Konsultacijos		–	–	21,153	4,905
Investment into Panevėžys district Ėriškių ŽŪB	24.97%	173	173	–	–
Other investments		60	138	–	–
		9,106	311	30,026	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.

The Company is going to increase the share capital of UAB Linas Agro Konsultacijos by covering with loans granted by the Company 21,153 as at 30 June 2013. 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 the amount of LTL 4,905 thousand was covered with loans granted by the Company and is disclosed as other investments as at 30 June 2012.

During the year ended 30 June 2013 the Group and the Company have made LTL 8,873 thousand prepayment for financial assets to be acquired.

10. NON-CURRENT RECEIVABLES

	Group		Company	
	As at 30 June 2013	**As at 30 June 2012**	**As at 30 June 2013**	**As at 30 June 2012**
Trade receivables from agricultural produce growers due after one year	468	691	–	–
Loans receivable after one year	2,098	3,713	–	–
Other non-current receivable	485	844	403	781
Loans to employees	182	198	–	–
	3,233	5,446	403	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 2013 the balance of AB Linas Agro receivable from KLASCO amounted to LTL 2,670 thousand. The amount is disclosed as non-current loans receivable (LTL 1,780 thousand, respectively as at 30 June 2012 – LTL 2,818 thousand) and current loans receivable (LTL 890 thousand, respectively as at 30 June 2012 – LTL 890 thousand).

The Group's and Company's non-current receivables were neither due nor impaired as at 30 June 2013 and 2012.

11. BIOLOGICAL ASSETS

Fair value of the Group's animals and livestock:

	Milking cows	Heifers	Bulls and fattening cattle	Horses	Total livestock
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
Acquisition of subsidiary (Note 3)	2,990	1,041	1,676	11	5,718
Births	–	228	277	–	505
Makeweight	5	3,860	2,018	3	5,886
Transfers between groups	843	(3,029)	2,186	–	–
Disposals	(96)	(513)	(4,382)	(8)	(5,000)
Write-offs and falls	(195)	(50)	(37)	–	(282)
Change in fair value of biological assets (Note 25)	1,049	513	(770)	–	792
Fair value as at 30 June 2013	12,956	4,760	1,749	6	19,471
Quantity according to biological assets group:					
As at 30 June 2013	2,244	2,184	995	8	5,431
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

Fair value of the Group's crops:

	Winter cultures	Summer cultures	Rapeseeds	Feeding cultures	Total crops
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
Additions	17,878	12,867	11,187	4,116	46,048
Acquisitions of subsidiaries (Note 3)	3,170	1,761	3,830	695	9,456
Transfers between groups	4	(4)	–	–	–
Harvested assets	(22,558)	(14,353)	(13,856)	(4,376)	(55,143)
Fair value adjustment on biological assets (Note 25)	1,543	1,965	682	–	4,190
Fair value as at 30 June 2013	15,171	11,614	10,553	3,608	40,946

11. BIOLOGICAL ASSETS (CONT'D)

Crops under groups:	**Winter cultures**	**Summer cultures**	**Rapeseeds**	**Feeding cultures**	**Total crops**
Total sowed (ha) as at 30 June 2012	4,292	3,499	2,166	1,201	11,158
Total sowed (ha) as at 30 June 2013	5,124	3,897	3,309	1,618	13,948

As at 30 June 2013 and 30 June 2012 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 statement of comprehensive income.

As at 30 June 2013 part of animals and livestock of the Group with the carrying value of LTL 8,371 thousand (LTL 11,852 thousand as at 30 June 2012) was pledged to banks as a collateral for the loans (Note 20).

12. INVENTORIES

	Group	
	As at 30 June 2013	**As at 30 June 2012**
Purchased goods for resale (at cost or net realizable value)	157,777	126,496
Raw materials and other inventories (at cost)	11,796	7,579
Commitments to purchase agricultural produce (Note 16)	(1,457)	2,872
	168,116	136,947

The carrying value of the Group's inventories accounted for at net realizable value as at 30 June 2013 amounted to LTL 350 thousand (LTL 188 thousand as at 30 June 2012). The amount of write-down of inventories to net realizable value recognized as an expense in the year ended 30 June 2013 is LTL 215 thousand (LTL 13 thousand in the year ended 30 June 2012), and is recognized in cost of sales of the statement of comprehensive income.

As at 30 June 2013 part of inventories of the Group with the carrying value of LTL 88,301 thousand (LTL 107,539 thousand as at 30 June 2012) was pledged to banks as collateral for the loans (Note 20).

13. PREPAYMENTS

	Group	
	As at 30 June 2013	**As at 30 June 2012**
Prepayments to agricultural produce growers	2,464	6,551
Prepayments to other suppliers	6,551	9,856
Less: allowance for doubtful prepayments to other suppliers	(6)	–
	9,009	16,407

During year ended 30 June 2013 and 30 June 2012, prepayments were made directly to agricultural produce growers of production. 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.

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 2011	262
Written-down during the year	(262)
Balance as at 30 June 2012	–
Written-down during the year	6
Balance as at 30 June 2013	(6)

14. TRADE RECEIVABLES

	Group	
	As at 30 June 2013	As at 30 June 2012
Trade receivables from agricultural produce growers	169,045	143,806
Trade receivables from other customers	129,832	70,097
Less: allowance for doubtful trade receivables	(25,717)	(23,015)
	273,160	190,888

Changes in allowance for trade receivables for the years ended 30 June 2013 and 30 June 2012 were included into operating expenses in the statement of comprehensive income.

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 2013 the Group's trade receivables with the nominal value of LTL 23,893 thousand (LTL 21,079 thousand as at 30 June 2012) 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 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
Charge for the year	4,219
Reversed during the year	(962)
Written-off during the year	(555)
Balance as at 30 June 2013	25,717

14. TRADE RECEIVABLES (CONT'D)

The ageing analysis of the Group's trade receivables as at 30 June 2013 and 30 June 2012 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	
2012	177,643	7,034	549	496	5,166	190,888
2013	250,818	17,739	1,329	827	2,447	273,160

As at 30 June 2013 the Group transferred rights to part of its trade receivables with the value of LTL 213,271 thousand (LTL 179,598 thousand as at 30 June 2012) to banks as collateral for the loans (Note 20). Factorised trade receivables in amount of LTL 34,105 thousand as at 30 June 2013 (LTL 19,000 thousand as at 30 June 2012) are included in aggregate amount of collateral for the loans. Additionally, as collateral for the loans as at 30 June 2013 the Group transferred rights to the banks for future receivables with the value of LTL 1,253 thousand (LTL 5,431 thousand as at 30 June 2012) arising from the investment property rent contracts.

15. OTHER ACCOUNTS RECEIVABLE

	Group	
	As at 30 June 2013	As at 30 June 2012
Financial assets		
National Paying Agency	6,358	8,096
Loans receivable*	7,740	2,838
Loans granted to the Group employees	141	51
Interest receivable	355	–
Accrued income*	4,555	–
Receivable for assets held for sale	425	–
Other receivables	3,001	465
Less: allowance for doubtful loans receivable	–	(205)
	22,575	11,245
Non-financial assets		
VAT receivable	5,946	6,257
Other recoverable taxes	15	77
	5,961	6,334
	28,536	17,579

**Increase of loans receivable and accrued income as at 30 June 2013 comparing to 30 June 2012 is influenced by acquisition of UAB Dotnuvos Projektai sub-group.*

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

	Individually impaired
Balance as at 30 June 2011	205
Charge for the year	–
Balance as at 30 June 2012	205
Written-down during the year	(205)
Balance as at 30 June 2013	–

15. OTHER ACCOUNTS RECEIVABLE (CONT'D)

The ageing analysis of the Group's other receivables (except for non-financial assets) as at 30 June 2013 and 30 June 2012 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	
2012	11,245	–	–	–	–	11,245
2013	15,745	5,956	239	33	602	22,575

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 2013	As at 30 June 2012
Other current financial assets				
Other derivative financial instruments	Level 1	b)	593	2,141
Held-to-maturity financial assets		c)	–	37,981
Restricted cash		d)	1,541	3,453
Other			68	–
			2,202	43,575
Derivative financial instruments (liabilities)				
Derivative financial instruments designated as hedges	Level 1	a)	–	(2,797)
Foreign exchange forward and swap contracts	Level 2		(816)	(168)
Other derivative financial instruments	Level 1	b)	(1,974)	(4,607)
			(2,790)	(7,572)

The Group concludes forward agreements (with fixed price) with Lithuanian and Latvian agricultural production growers for purchase/sale of agricultural produce. For part of such agreements the Group does not have agreed sales/purchase contracts with fixed price. As at 30 June 2013 the Group's total amount of such purchase/sale commitments to buy/sell agricultural produce was LTL 52,772 thousand (LTL 55,442 thousand as at 30 June 2012). To hedge the arising risk of price fluctuations, for the total amount of such purchase/sale commitments the Group concluded futures contracts that are traded on NYSE Euronext Paris SA exchange.

a) Derivative financial instruments used to hedge the price risk were attributed to the category of fair value hedge. As at 30 June 2013 the fair value of such futures contracts was equal to LTL 0 (LTL 2,797 thousand of losses as at 30 June 2012). These results are accounted for in cost of sales in the statement of comprehensive income. Hedged item (commitments to purchase agricultural produce) of LTL 1,457 thousand of loss (LTL 2,872 thousand of gain as at 30 June 2012) is accounted for as inventories (Note 12) in the statement of financial position and in cost of sales in the statement of comprehensive income by netting with gain and losses arising from the hedge instrument.

16. OTHER CURRENT FINANCIAL ASSETS AND DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

b) Part of other derivative financial instruments for the year ended 30 June 2013 are traded by the Group on behalf of related party, with the respective receivable from related party in the amount of LTL 1,974 thousand (LTL 2,616 thousand as at 30 June 2012) and payable to related party in the amount of LTL 593 thousand recorded in Group's financial statements (Note 33).

c) 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.

d) As at 30 June 2013 and 30 June 2012 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 2013	**As at 30 June 2012**	**As at 30 June 2013**	**As at 30 June 2012**
Cash at bank	30,006	53,725	3,252	43,919
Money market instruments with maturity of less than three months	4,000	1,000	–	–
Cash in transit	145	–	–	–
Cash on hand	89	43	–	–
	34,240	54,768	3,252	43,919

As at 30 June 2013 the Group had money market instruments, with interest rate of 0.01% and residual value of LTL 4,000 thousand. Part of the Group's accounts at banks and cash inflows was pledged to banks as collateral for the loans (LTL 2,289 thousand and LTL 3,779 thousand as at 30 June 2013 and 2012 respectively). As at 30 June 2013 and 30 June 2012 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 2013 and 30 June 2012.

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 year ended 30 June 2013 the Company acquired 800,000 own shares for LTL 1,599 thousand and disposed 9,028 own shares for LTL 14 thousand, net result of this transaction is recognised directly to the statement of changes in equity.

Foreign currency translation reserve

The foreign currency translation reserve results from translation differences arising on consolidation of SIA Linas Agro, SIA DOTNUVOS PROJEKTAI and Linas Agro A/S as at 30 June 2013 and as 30 June 2012 (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 2011	9,473
Received	4,153
Amortisation	(1,771)
Balance as at 30 June 2012	11,855
Received	4,804
Acquisition of subsidiaries (Note 3)	2,200
Amortisation	(2,325)
Balance as at 30 June 2013	16,534

The amount is disclosed in the statement of financial position as non-current liabilities (LTL 14,360 thousand) and other current liabilities (LTL 2,174 thousand).

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).

The amortisation of grants of the Group for the years ended 30 June 2013 and 30 June 2012 was included into the following captions of the statement of financial position and the statement of comprehensive income:

	Group	
	Financial year ended	
	30 June 2013	**30 June 2012**
Cost of sales (reduces the depreciation expenses of related assets)	1,802	1,311
Biological assets	410	339
Raw materials and other inventories	113	104
Other income	–	17
	2,325	1,771

For the year ended 30 June 2013 and 30 June 2012 the Group also received subsidies for animals and livestock, crops and milk in the total amount of LTL 7,623 thousand and LTL 5,682 thousand, respectively, which were accounted for in the sales caption of the statement of comprehensive income.

20. BORROWINGS

	Group		**Company**	
	As at 30 June 2013	**As at 30 June 2012**	**As at 30 June 2013**	**As at 30 June 2012**
Non-current borrowings				
Bank borrowings secured by the Group assets	31,742	35,393	–	–
Other non-current borrowings*	143	1,356	–	4,163
	31,885	36,749	–	4,163
Current borrowings				
Current portion of non-current bank borrowings	19,935	8,765	–	–
Current portion of other non-current borrowings**	–	1,310	–	–
Current bank borrowings secured by the Group assets	107,226	156,235	–	–
Factoring with recourse liability	34,106	21,511	–	–
Other current borrowings*	5,302	1,719	8,227	–
	166,569	189,540	8,227	–
	198,454	226,289	8,227	4,163

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

20. BORROWINGS (CONT'D)

Interest payable is normally settled monthly throughout the financial year.

As at 30 June 2013 and 30 June 2012 property, plant and equipment, investment property, biological assets, inventories, trade receivables and bank accounts were pledged to banks as a collateral for the loans (Notes 6, 7, 11, 12, 14 and 17). Also as at 30 June 2013 and 30 June 2012 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

During the year ended 30 June 2013 several companies of the Group did not comply with the covenants of the current and non-current borrowing agreements. Current portion of such borrowing agreements comprised to LTL 35,978 thousand and non-current portion - LTL 11,373 thousand. By 30 June 2013 the management of the Group receiveid bank letters, in which banks confirmed that they are aware of the breaches and that no actions will be undertaken, except for the non–current borrowing in the amount of LTL 6,243 thousand which was reclassified to current financial liabilities in these financial statements.

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

	Group		Company	
	As at 30 June 2013	**As at 30 June 2012**	**As at 30 June 2013**	**As at 30 June 2012**
Current borrowings	2.24%	2.75%	3.29%	–
Non-current borrowings	2.44%	2.73%	–	3.12%

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

	Group		Company	
	As at 30 June 2013	**As at 30 June 2012**	**As at 30 June 2013**	**As at 30 June 2012**
Borrowings denominated in:				
EUR	119,724	177,281	4,163	4,163
USD	1,640	7,692	–	–
LTL	77,090	41,316	4,064	–
	198,454	226,289	8,227	4,163

As at 30 June 2013 Group not utilized credit lines comprise LTL 160,947 thousand (LTL 94,839 thousand as at 30 June 2012).

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.

21. FINANCE LEASE OBLIGATIONS (CONT'D)

The split of the net book value of the assets acquired under finance lease is as follows:

	Group	
	As at 30 June 2013	**As at 30 June 2012**
Land	1,461	1,616
Buildings and structures	364	310
Machinery and equipment	2,131	2,313
Vehicles	5,662	1,270
Other property, plant and equipment	636	74
	10,254	5,583

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

	Group	
	As at 30 June 2013	**As at 30 June 2012**
EUR	6,381	2,054
LTL	1,454	1,581
	7,835	3,635

As at 30 June 2013 the interest rate on the finance lease obligations in EUR varies depending on the EURLIBOR and EURIBOR and ranges from 1.22% to 3.41%. The interest rate for the remaining portion of the finance lease liability in LTL outstanding as at 30 June 2013 is fixed, i.e. 5%.

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%.

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

	Group	
	As at 30 June 2013	**As at 30 June 2012**
Within one year	2,681	1,177
From one to five years	4,971	2,042
After five years	869	986
Total finance lease obligations	8,521	4,205
Interest	(686)	(570)
Present value of finance lease obligations	7,835	3,635
Finance lease obligations are accounted for as:		
- current	2,445	1,067
- non-current	5,390	2,568

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 2013 the lease expenses of the Group amounted to LTL 1,626 thousand (LTL 1,076 thousand for the year ended 30 June 2012).

Minimal future lease payments according to the signed lease contracts are as follows:

	Group	
	As at 30 June 2013	**As at 30 June 2012**
Within one year	1,465	1,574
From one to five years	3,206	1,659
After five years	2,179	1,526
Total	6,850	4,759
Denominated in (LTL equivalent):		
- EUR	2,545	862
- LTL	4,305	3,355
- DKK	–	542

The Company does not have operating lease agreements as at 30 June 2013 and 30 June 2012.

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 2013	**As at 30 June 2012**
Bonuses to employees	15,992	6,249
Vacation accrual	5,370	3,240
Advances received*	6,200	167
Payroll related liabilities	5,038	2,352
Import VAT payable	–	2,772
VAT payable	9,680	692
Current portion of grants (Note 19)	2,174	–
Other liabilities	3,921	2,066
	48,375	**17,538**

**Increase of advances received as at 30 June 2013 comparing to 30 June 2012 is influenced by acquisition of UAB Dotnuvos Projektai sub-group.*

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

25. COST OF SALES

	Group	
	Financial year ended	
	30 June 2013	**30 June 2012**
Cost of inventories recognised as an expenses	1,715,559	1,135,748
Logistics expenses	125,735	88,509
Wages and salaries and social security	19,649	12,475
Provision for onerous contracts	56	(267)
Depreciation	13,267	6,473
Utilities expenses	5,445	2,955
Change in fair value of biological assets (Note 11)	(4,982)	(7,746)
Change in fair value of financial instruments	270	(289)
Other	9,894	5,240
	1,884,893	1,243,098

26. OPERATING EXPENSES

	Group		Company	
	Financial year ended			
	30 June 2013	**30 June 2012**	**30 June 2013**	**30 June 2012**
Wages and salaries and social security	49,383	31,121	59	56
Change in allowance for and write-offs of receivables and prepayments	3,720	2,286	–	–
Consulting expenses	2,800	2,170	1,143	443
Depreciation and amortization	3,993	1,899	30	30
Advertisement, marketing	2,478	1,008	–	–
Bank fees	2,216	1,516	–	–
Change in impairment of property, plant and equipment (Note 6)	(11)	(32)	–	–
Change in impairment of investments into subsidiaries (Note 3)	–	–	–	(431)
Currency exchange loss	–	–	5	1,498
Other	14,981	8,900	788	112
	79,560	48,868	2,025	1,708

27. OTHER INCOME (EXPENSES)

	Group Financial year ended	
	30 June 2013	30 June 2012
Other income		
Fees from farmers for grain non-deliveries	593	272
Rental income from investment property and property, plant and equipment	1,000	886
Gain from disposal of investment property and property, plant and equipment	792	338
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
Gain on acquisition of subsidiary companies (Note 3)	26,073	–
Other income	792	457
	29,250	69,919
Other (expenses)		
Direct operating expenses arising on rental and non-rental earning investment properties	(463)	(354)
Loss from disposal of property, plant and equipment	(122)	(49)
Change in impairment of investment property (Note 7)	86	148
Change in fair value of currency financial instruments	(1,840)	–
Loss from acquisition of subsidiary companies (Note 3)	(608)	–
(Loss) recognized on acquisition of subsidiaries (Note 3)	–	(1,020)
Currency exchange (loss)	(485)	–
Other expenses	(446)	(58)
	(3,878)	(1,333)

During the year ended 30 June 2013 the Group has concluded several currency forward agreements which generated the net loss of LTL 1,840 thousand (30 June 2012 net gain of LTL 1,913 thousand).

28. INCOME (EXPENSES) FROM FINANCING ACTIVITIES

	Group Financial year ended		Company Financial year ended	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
Income from financing activities				
Interest income	1,526	7,783	3,334	2,277
Income from overdue payments	165	247	–	–
	1,691	8,030	3,334	2,277
(Expenses) from financing activities				
Interest expenses	(8,368)	(9,768)	(190)	(278)
Expenses for overdue payments	(385)	(11)	–	–
	(8,753)	(9,779)	(190)	(278)

29. INCOME TAX

	Group	
	Financial year ended	
	30 June 2013	30 June 2012
Current income tax expense	10,694	18,512
Income tax correction for prior periods	(127)	756
Deferred income tax (income) expense	40	2,009
Income tax expenses recorded in the statement of comprehensive income	10,607	21,277

	Group	
	As at 30 June 2013	As at 30 June 2012
Deferred income tax asset		
Tax loss carry forward (available indefinitely)	1,691	2,768
Accruals	1,693	1,210
Investment incentive	173	1,009
Allowance for trade receivables	1,106	592
Impairment of investment property	193	170
Impairment of property, plant and equipment	396	189
Allowance for inventories	308	-
Fair value of financial instruments	-	373
Other	412	164
Total deferred income tax asset	5,972	6,475
Deferred income tax liability		
Property, plant and equipment (difference between tax and accounting values)	(1,748)	-
Fair value of biological assets	(513)	(682)
Intangible assets (difference between tax and accounting values)	(25)	-
Fair value of financial instruments	-	(391)
Other	(183)	(12)
Total deferred income tax liability	(2,469)	(1,085)
Deferred income tax, net	3,503	5,390
Accounted for as deferred income tax asset in the statements of financial position	5,845	6,289
Accounted for as deferred income tax liability in the statements of financial position	2,341	(899)

Decrease in recognised deferred tax asset from tax loss carry forward in financial year ended 30 June 2013 is related to change in Linas Agro A/S operations and therefore changed estimate of recoverability of deferred tax assets of tax loss carry forward. The deferred tax asset was recognised based on the budgets prepared by the Group management, Linas Agro A/S 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.

29. INCOME TAX (CONT'D)

As at 30 June 2013 and 30 June 2012 the Group has not recognised deferred tax asset for the following temporary differences:

	Group	
	As at 30 June 2013	**As at 30 June 2012**
Tax loss carry forward	2,869	2,803
Tax loss carry forward (available till 30 June 2020)	-	127
Allowance for trade receivables	2,751	367
Tax loss carry forward from investing activity (available till 30 June 2014)	-	33
Investment incentive	495	-
Investment property impairment	510	-
Allowance for inventories	-	24
Accrued expenses	5	104
	6,630	3,458

Temporary differences are available indefinitely, unless above otherwise stated.

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.

There are no temporary differences associated with investments in associates and joint ventures as at 30 June 2013 (deferred tax liability associated with investments in associates and joint ventures has not been recognized as at 30 June 2012 in the amount of LTL 25,139 thousand).

The changes of temporary differences before and after tax effect in the Group were as follows:

	Balance as of 30 June 2012	**Recognised in statement of comprehensive income**	**Exchange differences**	**Acquired subsidiaries**	**Balance as of 30 June 2013**
Tax loss carry forward (available indefinitely)	23,453	(12,172)	(7)	-	11,274
Accruals	8,891	3,398	-	-	12,289
Investment incentive	7,901	(7,172)	-	-	729
Allowance for trade receivables	4,430	5,942	(10)	-	10,362
Impairment of investment property	2,135	(850)	-	-	1,285
Impairment of property, plant and equipment	3,632	(992)	-	-	2,640
Fair value of financial instruments	1,880	(1,880)	-	-	-
Fair value of biological assets	(13,647)	6,980	-	(3,592)	(10,259)
Property, plant and equipment (difference between tax and accounting values)	-	4,263	(241)	(16,878)	(12,856)
Intangible assets (difference between tax and accounting values)	-	(168)	-	-	(168)
Allowance for inventories	-	2,054	-	-	2,054
Other	1,098	101	-	-	1,199
Total temporary differences	**39,773**	**(496)**	**(258)**	**(20,470)**	**18,549**
Deferred income tax, net	**5,390**	**(40)**	**22**	**(1,869)**	**3,503**

29. INCOME TAX (CONT'D)

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 June2013	**30 June2012**
Profit before tax	101,105	115,576
Income tax expenses, applying the statutory rate in Lithuania (15%)	15,166	17,336
Effect of different tax rates in Denmark and the Republic of Ukraine, 5% tax rate for the entities engaged in agricultural activities (Note 2.23.)	(709)	1,224
Utilization of previously unrecognised temporary differences	-	(410)
Income tax correction for prior periods	(127)	756
Temporary differences for which no deferred taxes were recognised	338	2,119
Permanent differences*	(3,993)	239
Effect of changes in foreign exchange rates	(68)	(62)
Effect of change in income tax rate	-	75
Total income tax (income) expenses	10,607	21,277

** As at 30 June 2013 permanenet differences mainly exists due to the bargain purchases of subsidiaries (see Note 3).*

The Company's significant tax expenses for the year ended 30 June 2012 is related 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 2013 and 30 June 2012 was as follows:

Calculation of weighted average for the year ended 30 June 2013	Number of shares	Par value (LTL)	Issued/365 (days)	Weighted average
Shares issued as at 30 June 2012	158,940,398	1	38/365	16,547,220
Acquisition of own shares 7 August 2012	(1,345)	1	1/365	435,449
Acquisition of own shares 8 August 2012	(655)	1	93/365	40,496,633
Disposal of own shares 9 November 2012	2,000	1	48/365	20,901,751
Acquisition of own shares 27 December 2012	(798,000)	1	18/365	7,798,803
Disposal of own shares 14 January 2013	7,028	1	167/365	72,358,778
Shares issued as at 30 June 2013	158,149,426			158,538,635

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

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 2013	30 June 2012
Net profit, attributable to the shareholders of the parent	90,250	89,394
Weighted average number of ordinary shares outstanding for the year	158,538,635	158,940,398
Basic and diluted earnings per share (in LTL)	0.57	0.56

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 2012 the Company paid LTL 4,500 thousand dividends, or LTL 0.03 per share. The Board of the Company plans to pay LTL 6,000 thousand dividends, or LTL 0.04 per share, for the year ended 30 June 2013.

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 2013 part of AB Linas Agro trade receivables was insured with the insurance limit equal to equivalent of LTL 60,101 thousand (LTL 28,098 thousand as at 30 June 2012).

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.

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 2013 and 30 June 2012.

The sensitivity analysis of the pre-tax profit of the Group, considering that all other variables will remain constant, to possible changes in the interest rates is presented in the table below. There is no direct effect to equity from changes in interest rate.

	Effect on the profit before income tax for the year ended (in LTL thousand)			
	Increase / decrease of basis points	**30 June 2013**	**Increase / decrease of basis points**	**30 June 2012**
EUR	+150	(520)	+150	(2,642)
EUR	- 50	173	- 50	881
LTL	+150	(1,100)	+150	(596)
LTL	-150	1,100	-150	596
USD	+150	–	+150	(91)
USD	- 50	–	- 50	30

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 2013 were 1.76 and 1.11, respectively (as at 30 June 2012 1.78 and 1.17, 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	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**
Non-current borrowings	7,657	3,573	10,239	8,470	23,497	1,564	55,000
Lease liabilities	–	681	2,000	2,521	2,450	869	8,521
Current borrowings	57,323	49,046	41,174	–	–	–	147,543
Other non-current liabilities	–	–	–	766	204	263	1,233
Derivative financial instruments	–	2,790	–	–	–	–	2,790
Current trade payables	7,175	67,139	21,739	–	–	–	96,053
Payables to related parties	212	2,989	–	–	–	–	3,201
Other liabilities	191	1,902	3,237	–	–	–	5,330
Balance as at 30 June 2013	**72,558**	**128,120**	**78,389**	**11,757**	**26,151**	**2,696**	**319,671**

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
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**
Non-current borrowings from related parties	–	28	8,312	–	–	–	8,340
Non-current payable to related parties	–	–	–	–	–	258	258
Current trade payables	–	–	1,500	–	–	–	1,500
Other liabilities	–	240	–	–	–	–	240
Balance as at 30 June 2013	**–**	**268**	**9,812**	**–**	**–**	**258**	**10,338**

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 2013 and 30 June 2012 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 used financial derivatives to manage the USD foreign currency exchange risk.

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 2013 and 30 June 2012 were as follows (LTL equivalent):

Group	**As at 30 June 2013**		**As at 30 June 2012**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
LTL	205,432	135,380	158,732	89,423
EUR	126,949	208,327	147,751	219,384
USD	21,229	6,382	8,466	9,919
DKK	2,289	3,376	2,526	3,095
LVL	4,749	5,053	452	688
PLN	4,827	97	8,436	302
Other currencies	1	–	3	–
	365,476	358,615	326,366	322,811

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). There is no direct effect to equity from changes in currency exchange rates.

		Effect on the profit before income tax for the year ended (in LTL thousand)	
	Increase/ decrease in exchange rate	**30 June 2013**	**30 June 2012**
USD	+ 15.00%	2,227	(218)
USD	- 15.00%	(2,227)	218
PLN	+ 15.00%	710	1,220
PLN	- 15.00%	(710)	(1,220)

Sensitivity to a reasonable possible change of LVL and DKK is not disclosed as it is not significant to the financial statements.

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:

1 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.
2 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 is equal to equity in the statement of financial position amounting to LTL 437,122 thousand as at 30 June 2013 (LTL 351,251 thousand as at 30 June 2012).

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 2013 and 30 June 2012.

The Company and the Group's subsidiaries registered in Lithuania and Estonia are obliged to keep its equity at no less than 50% of its share capital, as imposed by the Laws on Companies of the Republic of Lithuania and the Republic of Estonia. The Company and the Group's subsidiaries registered in Lithuania and Estonia comply with this requirement, except for Lignineko UAB and AS Dotnuvos Projektai. The Group's subsidiaries registered in Latvia are obliged to keep its equity at no less than 0, as imposed by the Law on Companies of the Republic of Latvia. The Group's subsidiaries registered in Latvia comply with this requirement, except for SIA DOTNUVOS PROJEKTAI and SIA Linas Agro Graudu Centrs. The Group's management does not expect any negative consequences to the Group and is planning to take actions to mitigate these non-compliances.

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

	The Group		**The Company**	
	As at 30 June 2013	**As at 30 June 2012**	**As at 30 June 2013**	**As at 30 June 2012**
Total equity	440,496	356,056	316,546	316,690
Total assets	821,387	690,889	326,681	332,448
Total equity / Total assets	54%	52%	97%	95%
Leverage ratio	46%	48%	3%	5%

32. COMMITMENTS AND CONTINGENCIES

As at 30 June 2013 the Group is committed to purchase property, plant and equipment for the total amount of LTL 2,826 thousand (LTL 2,754 thousand as at 30 June 2012).

Additional investments are required for cattle farms located in Panevėžys district Aukštadvario ŽŪB and Sidabravo 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 1,300 thousand as of as of 30 June 2012. As of 30 June 2013 investments for implementation of environmental regulations were done.

A few Group companies (Biržai district Medeikių ŽŪB, Kėdainiai district Labūnavos 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 agricultural up to 2014, Kėdainių district Labūnavos ŽŪB – up to 2015, Šakiai district Lukšių ŽŪB - up to 2015, Sidabravo ŽŪB – up to 2014. UAB Linas Agro Grūdų Centras KŪB, Karčemos kooperatinė bendrovė received grants 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 2018, Karčemos kooperatinė bendrovė – up to 2020. 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 15,225 thousand as of 30 June 2013 (LTL 10,145 thousand as of 30 June 2012).

On 25 April 2013 AB Linas Agro Group signed agreement with Latvian private and legal persons on acquisition of 87% of shares in Latvian company AS Putnu fabrika Kekava. The transaction should be completed till the end of 2013, their completion is subject to certain conditions presented, including obtaining of permission of the Competition Council of the Republic of Latvia.
As at 30 June 2013 total prepayments for financial assets to be acquired amounted to LTL 8,873 thousand.

In July 2013 the Group company Linas Agro A/S received a ruling from Denmark Tax Inspection (hereafter- SKAT) stating that SKAT has changed the companies tax assessments for the income year 2007-2009 whereby total taxable payment for period has been increased by LTL 509 thousand (DKK 1,100 thousand). The changes relate to non-approved deduction for inter-group services. The company's management does not concur with SKAT's assessment and considers appealing the decision. Accordingly, the Group did not recognize any tax liability or any interest as at 30 June 2013.

In addition Linas Agro A/S received a ruling from SKAT regarding the valuation of customer base which was transferred to the Group company, AB Linas Agro in the year 2011-2012. The decision has a negative effect on the total tax loss carry forward amount which is incorporated into calculation of taxable income for the year 2012-2013. SKAT has ruled that the value of the customer base should have been LTL 16,853 thousand (DKK 36,414 thousand) and not LTL 5,425 thousand (DKK 11,722 thousand) as the value sold in 2011-2012 by Linas Agro A/S to AB Linas Agro. This implies a reduction of the total tax loss carry forward in amount of LTL 11,428 thousand (DKK 24,692 thousand) (tax value LTL 2,857 thousand (DKK 6,173 thousand)). Deferred tax asset from the tax loss carry forward from this amount is not recognized by Linas Agro A/S. Linas Agro A/S management does not agree with SKAT and intends to appeal against the decision.

As at 30 June 2013 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 6,708 thousand (LTL 29,071 thousand as at 30 June 2012).
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 subsidiaries are not able to do it themselves. The management of the Group believes that the subsidiaries 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 2013 and 30 June 2012.

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 2013 and 30 June 2012 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 (resigned from the Management Board as from 1 May 2013);
Tomas Tumėnas.

Subsidiaries: List provided in Note 3.

Joint ventures (Note 8):

UAB Dotnuvos Projektai (till 30 September 2012, from 1 October 2012 is consolidated subsidiary);
ŽŪB Dotnuvos Agroservisas (till 28 December 2011, reorganized);
UAB DOTNUVOS TECHNIKA (till 30 September 2012, from 1 October 2012 is consolidated subsidiary);
SIA DOTNUVOS PROJEKTAI (till 30 September 2012, from 1 October 2012 is consolidated subsidiary);
AS DOTNUVOS PROJEKTAI (till 30 September 2012, from 1 October 2012 is consolidated subsidiary);
UAB Kustodija (till 19 October 2011).
Associates (*Note* 8):

UAB Jungtinė Ekspedicija (till 28 February 2013, from 1 March 2013 is consolidated subsidiary).

Akola ApS group companies:

Akola ApS (Denmark) (controlling shareholder);
UAB MESTILLA (same ultimate controlling shareholders);
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 (till 1 May 2013 Arūnas Jarmolavičius was a director of this company).

33. RELATED PARTIES TRANSACTIONS (CONT'D)

The Group's transactions with related parties in the year ended 30 June 2013 and 30 June 2012 were as follows:

2013	**Purchases**	**Sales**	**Receivables**			**Payables**
			Trade receivables	**Current loans receivable**	**Non-current loans receivable**	
Members of the board	20**	–	–	–	–	–
Joint ventures	6,886	392	–	–	–	–
Associates	9,534	77	–	–	–	–
Akola ApS group companies	16,682	120,120	14,165	1,350	2,540	3,201
	33,122	120,589	14,165	1,350	2,540	3,201

2012	**Purchases**	**Sales**	**Receivables**		**Non-current loans payable**	**Payables and advances received**	**Current loans received**
			Trade receivables	**Non-current receivable**			
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

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

The Company's transactions with related parties in the year ended 30 June 2013 and 30 June 2012 were as follows:

2013	**Purchases**	**Sales and dividends**	**Receivables**		**Prepayments for financial assets**	**Payables**	**Non-current payables**	**Current loans received**
			Trade receivables	**Current loans receivable**				
Akola ApS group companies	–	–	–	–	–	–	–	–
Subsidiaries	203	5,036	–	38,346	21,153	12	167	8,227
Associates/joint ventures	–	–	–	–	–	9	–	–
	203	5,036	–	38,346	21,153	21	167	8,227

2012	**Purchases**	**Sales and dividends**	**Receivables**		**Prepayments for financial assets**	**Payables**	**Non-current payables**	**Non-current loans received**
			Trade receivables	**Current loans receivable**				
Akola ApS group companies	–	14	17	–	–	–	–	–
Subsidiaries	13	255	133	30,924	4,905	–	158	4,163
Associates/joint ventures	–	86	902	–	–	–	–	–
	13	355	1,052	30,924	4,905	–	158	4,163

33. RELATED PARTIES TRANSACTIONS (CONT'D)

As at 30 June 2013 interest rates of the Group for non-current loans receivable from related parties are equal to 3.7% and 3 month EURIBOR + 4.2% margin, interest rates of the Group and the Company for current loans receivable from related parties are equal to 3.7% and 3 month EURIBOR + 2.45% margin, and 4% respectively. As at 30 June 2012 annual interest rate of the Group's loans borrowed is 7%. As at 30 June 2012 interest rate of the Company for current loans receivable from related parties is equal to 7%.

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 2013 and 30 June 2012.

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 11,565 thousand (including LTL 4,610 thousand of bonuses to the board of directors of AB Linas Agro) for the year ended 30 June 2013 (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). For the year ended 30 June 2013 the Group's management received LTL 545 thousand dividends from the Company (for the year ended 30 June 2012 dividends were not paid). For the year ended 30 June 2013 the Group's management has also received LTL 17 thousand of rent payments (LTL 23 thousand of rent payments for the year ended 30 June 2012).

The Company's management consists of the board of directors and a managing director. For the year ended 30 June 2013 the Company's management remuneration amounted to LTL 15 thousand (LTL 15 thousand for the year ended 30 June 2012).

As at 30 June 2013 Group borrowed from subsidiary company's management LTL 3,610 thousand, interest rate is equal 6%.
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.

34. SUBSEQUENT EVENTS

Group

On 2 July 2013 AB Linas Agro Group signed agreements with Latvian private and legal persons on acquisition of 100% of shares of Latvian company SIA Broileks, 100% of shares of company SIA Cerova and 100% of shares of SIA Lielzeltini. The transactions should be completed by the end of 2013, their completion is subject to certain conditions presented, including obtaining of permission of the Competition Council of the Republic of Latvia. The permission is still pending and was not received until the issuance of financial statements. Preliminary AB Linas Agro Group estimates to spend about LTL 41,800 thousand for the acquisition of shares of the Latvian companies. The same permission is not yet received related to aqcuisition of AS Putnu fabrika Kekava for which a prepayment disclosed in Note 9 and 32 has been made as at 30 June 2013.

On 5 September 2013 a subsidiary of AB Linas Agro Group UAB Linas Agro Konsultacijos acquired 100% shares of UAB Žemės ūkio investicijos sub-group for LTL 18,593 thousand from previous owners. Only the unaudited financial information on the acquired subsidiary as at 30 June 2013 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.

34. SUBSEQUENT EVENTS (CONT'D)

Group (cont'd)

	UAB Žemės ūkio investicijos sub-group
Acquisition date	**1 July 2013**
Carrying values	(unaudited)
Non-current assets	16,228
Current assets	14,791
Current liabilities	(13,290)
Net assets	17,729
Cash in the subsidiary	987
Revenue for the period 01 July 2012 - 30 June 2013	22,334
Profit for the period 01 July 2012 - 30 June 2013	5,229

On 24 July 2013 SEB bank has increased credit limit by LTL 50,000 thousand for AB Linas Agro, total amount of the credit limit is LTL 200 million. The purpose of the credit limit is AB Linas Agro's working capital financing.

On 29 August 2013 UAB Linas Agro Grūdų Centras KŪB prolonged the credit line agreement with AB SEB bank till 29 August 2014.

Company

On 3 July 2013 the Company have received a loan in amount of LTL 4,400 thousand from UAB Dotnuvos Projektai.

On 1 August 2013 the Company increased share capital of its subsidiary UAB Lineliai by LTL 1,000 thousand.

On 30 August 2013 the Board of the Company decided to grant loan to UAB Linas Agro Kosultacijos in amount of LTL 13,379 thousand.