

The logo for Linas Agro, featuring the word "linas" in a dark blue sans-serif font, followed by a stylized orange and blue circular icon, and the word "agro" in a dark blue sans-serif font.

linas agro

**AB Linas Agro Group**

**Consolidated and Company's**

**Financial Statements**

**for the financial year 2017/18, ended 30 June 2018**

Prepared in accordance with international financial reporting standards, as adopted by the European Union,  
presented together with independent auditor's report



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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AB Linas Agro Group

### Opinion

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 2018, 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).

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 2018 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.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014 of the European Parliament and the Council"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the requirements of the Law on Audit of the financial statements of the Republic of Lithuania that are relevant to the audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of the financial statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

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

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

## Key audit matters

## How the matter was addressed in the audit

### **1. Valuation of biological assets**

The carrying value of the Group's biological assets as at 30 June 2018 was EUR 23.9 million and gain from change in fair value of biological assets recognized in financial year ended 30 June 2018 amounted to EUR 1.4 million.

Biological assets consist of livestock (mostly milking cows and other cattle), crops and poultry (hatching chicken and meat broilers). The fair value of milking cows is determined using discounted cash flows method less costs to sell. Other livestock is measured at fair value less cost to sell at the reporting date. Crops are valued at market prices based on expected harvest yield less costs to sell at the reporting date. Hatching chicken are valued based on the future value of the produced eggs less costs to maintain the chicken until end of its production period, slaughter costs as well as costs to sell at the reporting date. Meat broilers are valued taking into account the average age of the chicken and its respective market value between the value range of day one and value at the moment of slaughtering the chicken. This matter is significant to our audit due to materiality of the amounts and high level of management judgment involved in determining the fair value of biological assets.

We gained an understanding of management's procedures in relation to the valuation of biological assets. We obtained and reviewed the valuation of livestock, crops and poultry of the Group. We have reviewed and compared management forecasts in milking cows' valuation with historical information as well as supporting evidence on expected milk prices and milk yield. We have also involved a valuation specialist to assist us with the assessment of the discount rates used by the management in the discounted cash flows model. For valuation of other livestock we have traced input data to independent market information and tested the key assumptions used for calculating the fair value of livestock. For an assessment of fair value of crops we have reviewed the expected crops yields and compared with historical and subsequent information on actual yields as well as traced expected grain sales price with market data. For valuation of hatching chicken we have compared management prices for incubation eggs with publicly available information and the average number of hatching eggs produced per hatching chicken in the lifetime with historical information of the Group. For assessment of fair value of meat broilers we have reviewed and compared management inputs on 1 day-old chicken and broiler meat prices with market information.

We also read and assessed the disclosures made in the Note 2.27 of the financial statements for biological assets fair value assessment including the sensitivity of the assessment to changes in key valuation inputs.

### **2. Impairment assessment of goodwill and property, plant and equipment**

Property, plant and equipment and intangible assets including goodwill of the Group amount to EUR 124.1 million as at 30 June 2018. The Group performed an impairment test of goodwill and separate tests for property, plant and equipment for which an impairment indication exists based on the value in use estimation as disclosed in Note 2.27 to the accompanying financial statements. Those annual impairment tests were significant to our audit as they involve judgment in allocation of goodwill and property, plant and equipment to cash generating units (CGU), as well as making the assumptions related to cash flows forecasts used in the value in use estimations as disclosed in Note 2.27 to the financial statements. After impairment tests performed, no goodwill impairment was recorded by the Group as at 30 June 2018.

We gained an understanding of management's procedures in relation to assessment of recoverable value of goodwill and property, plant and equipment (PPE). We have considered management assumptions in allocation of goodwill and PPE to respective CGUs. Among other procedures, we involved a valuation specialist to assist us with the assessment of the discount rates used by the management in the impairment tests. We also considered other key assumptions used by the management in the estimation of cash flows forecasts as follows: EBITDA margin, capital investments, changes in working capital and growth rate. We tested the sensitivity in the available headroom of the CGUs considering if a possible change in assumptions could cause the carrying amount to exceed its recoverable amount and also assessed the historical accuracy of management's estimates. Finally, we reviewed the adequacy of the Group's disclosures included in Note 2.27 to the financial statements about the assumptions used in the impairment tests and the outcome of those tests.

### **3. Impairment assessment of investments and loans granted to subsidiaries (Parent company only)**

The Company's management has reviewed impairment indications for Company's investments into subsidiaries. Investments and loans granted by the Company to the subsidiaries operating in poultry business were EUR 22.2 million as at 30 June 2018, while investments into land holding subsidiaries were EUR 1.9 million as at 30 June 2018. The Company's management performed an impairment test of these investments and loans granted as there were impairment indicators. No impairment was recognized after impairment test performed. The Company's management has assessed value in use and fair value less cost to sell of respective investments as disclosed in Note 2.27 to the financial statements. This annual impairment test was significant to our audit as it involves management judgment in making the assumptions related to cash flows forecasts used in the value in use estimations as disclosed in Note 2.27 to the financial statements and usage of management specialist for assessment of fair value less costs to sell for land holding entities. Furthermore, the investments and loans granted to the mentioned subsidiaries represent more than 21% of the total assets of the Company as at 30 June 2018.

### **4. Impairment of trade accounts receivable**

As at 30 June 2018 the Group had current trade accounts receivable balance amounting to EUR 117.0 million reported in the statement of financial position, part of which was overdue as disclosed in Note 12 of the financial statements. The determination as to whether a trade receivable is collectable involves management judgment. Specific factors management considers include the age of the balance, location of customers, existence of collateral, recent historical payment patterns as well as data on subsequent collections. This matter is significant to our audit due to materiality of the amounts as these receivables constitute over 29% of the total assets of the Group in the statement of financial position as at 30 June 2018 and high level of management judgment involved in allowance calculation.

We gained an understanding of how the management evaluates the recoverability of investments. Our audit procedures included, amongst others, evaluating and testing the assumptions and methodologies used by the management of the Company. We involved a valuation specialist to assist us with the assessment of the discount rate used by the management in the value in use calculation for the specific businesses. We considered other significant assumptions used by the management in the estimation of cash flows forecasts by comparing revenues and costs to historical performance levels and considered expected growth rates. We assessed whether future cash flows were based on the strategic and business plans and other relevant developments in the business of the poultry business CGU. We tested the sensitivity in the available headroom of the investment considering if a possible change in assumptions could cause the carrying amount to exceed its recoverable amount and also assessed the historical accuracy of management's estimates. For fair value less cost to sell assessment we compared management specialist reports with historical valuations and market data on changes in market prices of similar land plots. Finally, we evaluated the adequacy of the Company's disclosures included in Note 2.27 to the financial statements about the assumptions used in the impairment test and the outcome of the test.

Among other procedures, we reviewed the valuation of trade receivables and impairment recorded by the Group by assessing the management assumptions used to calculate the impairment. Our procedures included testing the correctness of aging of the receivables data and clerical accuracy of the calculation of impairment recorded for the customer groups based on ageing. We reviewed the management's assessment of individual material overdue receivables by testing of subsequent payments received and examination of other data as available to support individual facts and circumstances underlying the management judgment on these receivables.

Furthermore, we have considered adequacy of the disclosures in the Note 2.27 and Note 12 of the financial statements in this area.

### **5. Inventory net realizable value**

Inventories of the Group amount to EUR 95.9 million in the statements of financial position as at 30 June 2018. It is a material balance for the Group and requires management judgment in assessing if this is not higher than the net realizable value at year-end. There is also management judgment required in determining inventory obsolescence allowance. This matter is significant to our audit due to materiality of inventories that constitute over 24% of the total assets of the Group.

We gained an understanding of how management evaluates inventory net realizable value and allowance for obsolescence. We have reviewed calculations of inventory net realizable value, which was performed by the Group based on review of subsequent sales after the year-end and expected realization price for items not sold during the subsequent period. We have also analyzed obsolescence data and rates applied in calculations of net realizable value allowance and compared the inventory obsolescence allowance to the Group's historic figures. Finally, we have evaluated the adequacy of the Group's disclosures included in Note 2.27 and Note 10 of the financial statements.

### **Other Information**

Other information consists of the information included in the Consolidated Group's Annual Report, including Information on compliance with the Corporate Governance Code (hereinafter - Corporate Governance Report) and disclosure on Social and environmental responsibility (hereinafter - Corporate Social Responsibility Report), other than the financial statements and our auditor's report thereon. Management is responsible for the other information presentation.

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

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

We also have to evaluate, if the financial information included in the Consolidated Group's Annual Report, including Corporate Governance Report, corresponds to the financial statements for the same financial year and if the Consolidated Group's Annual Report, including Corporate Governance Report, was prepared in accordance with the relevant legal requirements. In our opinion, based on the work performed in the course of the audit of financial statements, in all material respects:

- ▶ The financial information included in the Consolidated Group's Annual Report, including Corporate Governance Report, corresponds to the financial information included in the accompanying financial statements for the same year; and
- ▶ The Consolidated Group's Annual Report, including Corporate Governance Report, was prepared in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania and the Law on Consolidated Financial Reporting by Groups of Undertakings of the Republic of Lithuania.

We also need to check that the Corporate Social Responsibility Report has been provided. If we identify that Corporate Social Responsibility Report has not been provided, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the

going concern basis of accounting unless management either intends to liquidate the Company or the Group or to cease operations, or has no realistic alternative but to do so.

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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

## Report on Other Legal and Regulatory Requirements

*Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council*

### Appointment and Approval of Auditor

We were appointed as the statutory auditor by the statutory body of the Group on 26 October 2017 based on our approval by the General Meeting of Shareholders of the Company on 26 October 2017. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor for the Company and the Group, has lasted for 11 years.

### Consistency with Additional Report to Audit Committee

Our audit opinion on the financial statements expressed herein is consistent with the additional report provided to the audit committee of the Company, which we issued on the same date as the issue date of this report.

### Non-audit Services

No prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and the Group and we remain independent from the Company and the Group in conducting the audit.

In addition to statutory audit services, we have not provided any services to the Group during the financial year ended 30 June 2018 which are not disclosed in the Consolidated Annual Report.

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

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



Asta Štreimikienė  
Auditor's licence  
No. 000382

09 October 2018



## Statements of financial position

ASSETS	Notes	Group		Company	
		As at 30 June 2018	As at 30 June 2017 (restated)*	As at 30 June 2018	As at 30 June 2017
<b>Non-current assets</b>					
Intangible assets	5	1,496	1,331	237	258
Property, plant and equipment	6	122,590	117,946	20	–
Investment property	7	1,316	1,408	98	132
Animals, livestock and poultry	9	8,726	8,010	–	–
Non-current financial assets					
Investments in subsidiaries	3	–	–	100,450	95,762
Investments in associates	3	–	–	386	2,468
Other investments and prepayments for financial assets		16	17	–	–
Non-current receivables	8	1,841	1,524	–	296
Non-current receivables from related parties	8, 31	–	–	11,370	11,259
Total non-current financial assets		1,857	1,541	112,206	109,785
Non-current prepayments	8	1,590	1,784	–	–
Deferred income tax asset	27	2,803	1,982	121	69
<b>Total non-current assets</b>		<b>140,378</b>	<b>134,002</b>	<b>112,683</b>	<b>110,244</b>
<b>Current assets</b>					
Crops	9	12,856	14,836	–	–
Poultry	9	2,312	2,164	–	–
Inventories	10	95,873	72,026	–	–
Current prepayments	11	12,206	8,824	46	45
Accounts receivable					
Trade receivables	12	117,036	98,489	–	–
Receivables from related parties	31	255	470	2,834	3,543
Income tax receivable		843	255	28	–
Other accounts receivable	13	7,128	12,086	47	114
Total accounts receivable		125,262	114,739	2,909	3,657
Derivative financial instruments	14	70	28	–	–
Other current financial assets	14	1,485	772	–	–
Cash and cash equivalents	15	10,495	8,897	289	419
<b>Total current assets</b>		<b>260,559</b>	<b>218,847</b>	<b>3,244</b>	<b>4,121</b>
<b>Total assets</b>		<b>400,937</b>	<b>352,849</b>	<b>115,927</b>	<b>114,365</b>

(cont'd on the next page)

\*Refer to note 2.31

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 2018	As at 30 June 2017 (restated)*	As at 30 June 2018	As at 30 June 2017
<b>Equity attributable to equity holders of the parent</b>					
Share capital	1	46,093	46,093	46,093	46,093
Share premium	1	23,038	23,038	23,038	23,038
Legal reserve	16	3,419	3,186	3,419	3,186
Own shares	16	(453)	(453)	(453)	(453)
Foreign currency translation reserve	16	(22)	(22)	–	–
Cash flow hedge reserve	16	(40)	(73)	–	–
Retained earnings		102,951	95,177	37,812	35,409
<b>Total equity attributable to equity holders of the parent</b>		<b>174,986</b>	<b>166,946</b>	<b>109,909</b>	<b>107,273</b>
<b>Non-controlling interest</b>	32	<b>2,088</b>	<b>2,271</b>	–	–
<b>Total equity</b>		<b>177,074</b>	<b>169,217</b>	<b>109,909</b>	<b>107,273</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Grants and subsidies	17	6,299	6,236	–	–
Non-current borrowings	18, 31	27,180	20,401	2,654	1,448
Finance lease obligations	19	1,172	1,076	–	–
Non-current payables to related parties	31	–	–	61	58
Deferred income tax liability	27	110	1,906	–	–
Non-current employee benefits		442	453	–	–
Derivative financial instruments	14	–	25	–	–
<b>Total non-current liabilities</b>		<b>35,203</b>	<b>30,097</b>	<b>2,715</b>	<b>1,506</b>
<b>Current liabilities</b>					
Current portion of non-current borrowings	18	6,835	11,061	933	2,100
Current portion of finance lease obligations	19	559	559	–	–
Current borrowings	18, 31	118,109	77,494	744	2,195
Trade payables	21	39,079	44,152	24	29
Payables to related parties	31	1	–	810	810
Income tax payable		103	937	–	–
Derivative financial instruments	14	987	1,395	–	–
Other current liabilities	22	22,987	17,937	792	452
<b>Total current liabilities</b>		<b>188,660</b>	<b>153,535</b>	<b>3,303</b>	<b>5,586</b>
<b>Total equity and liabilities</b>		<b>400,937</b>	<b>352,849</b>	<b>115,927</b>	<b>114,365</b>

\*Refer to note 2.31

The accompanying notes are an integral part of these financial statements

Managing Director	Darius Zubas		9 October 2018
Finance Director	Tomas Tumėnas		9 October 2018
Chief Accountant	Ramutė Masiokaitė		9 October 2018



## Consolidated statement of comprehensive income

	Notes	Financial year ended	
		30 June 2018	30 June 2017
Sales	4	634,423	644,952
Cost of sales	23	(588,575)	(598,676)
<b>Gross profit</b>		<b>45,848</b>	<b>46,276</b>
Operating (expenses)	24	(38,294)	(34,077)
Other income	25	3,537	1,655
Other (expenses)	25	(1,494)	(1,800)
<b>Operating profit</b>		<b>9,597</b>	<b>12,054</b>
Income from financing activities	26	503	902
(Expenses) from financing activities	26	(2,577)	(2,911)
<b>Profit before tax</b>		<b>7,523</b>	<b>10,045</b>
Income tax	27	1,940	(1,637)
<b>Net profit</b>		<b>9,463</b>	<b>8,408</b>
<b>Net profit attributable to:</b>			
Equity holders of the parent		9,036	8,320
Non-controlling interest		427	88
		<b>9,463</b>	<b>8,408</b>
Basic earnings per share (EUR)	28	0.06	0.05
Diluted earnings per share (EUR)	28	0.06	0.05
<b>Other comprehensive income</b>			
Other comprehensive income, to be reclassified to profit or loss in subsequent periods:			
Net (loss)/gain on cash flow hedges		33	80
Exchange differences on translation of foreign operations		–	–
<b>Net other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods</b>		<b>33</b>	<b>80</b>
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
<b>Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods</b>		<b>–</b>	<b>–</b>
<b>Other comprehensive income/ (loss) for the year, net of tax</b>		<b>33</b>	<b>80</b>
<b>Total comprehensive income, after tax</b>		<b>9,496</b>	<b>8,488</b>
<b>Total comprehensive income attributable to:</b>			
The shareholders of the Company		9,069	8,400
Non-controlling interest		427	88
		<b>9,496</b>	<b>8,488</b>

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



## Company's statement of comprehensive income

	Notes	Financial year ended	
		30 June 2018	30 June 2017
Income	4	4,461	4,993
Operating (expenses)	24	(1,144)	(837)
<b>Operating profit</b>		<b>3,317</b>	<b>4,156</b>
Income from financing activities	26	596	603
(Expenses) from financing activities	26	(127)	(139)
<b>Profit before tax</b>		<b>3,786</b>	<b>4,620</b>
Income tax		52	38
<b>Net profit</b>		<b>3,838</b>	<b>4,658</b>
<b>Other comprehensive income</b>		<b>–</b>	<b>–</b>
<b>Total comprehensive income</b>		<b>3,838</b>	<b>4,658</b>

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

Managing Director

Darius Zubas

9 October 2018

Finance Director

Tomas Tumėnas

9 October 2018

Chief Accountant

Ramutė Masiokaitė

9 October 2018



## Consolidated statement of changes in equity

	Notes	Equity attributable to equity holders of the parent									Non-control- ling interest	Total
		Share capital	Own shares	Share premium	Legal reserve	Reserve for own shares	Foreign currency trans- lation reserve	Cash flow hedge reserve	Retained earnings	Subtotal		
<b>Balance as at 1 July 2016</b>		<b>46,093</b>	<b>(455)</b>	<b>23,038</b>	<b>2,936</b>	–	<b>(22)</b>	<b>(153)</b>	<b>88,310</b>	<b>159,747</b>	<b>2,214</b>	<b>161,961</b>
Net profit for the year		–	–	–	–	–	–	–	8,320	8,320	88	8,408
Other comprehensive income		–	–	–	–	–	–	80	–	80	–	80
<b>Total comprehensive income</b>		–	–	–	–	–	–	<b>80</b>	<b>8,320</b>	<b>8,400</b>	<b>88</b>	<b>8,488</b>
Disposal of own shares		–	2	–	–	–	–	–	(2)	–	–	–
Declared dividends by Company	28	–	–	–	–	–	–	–	(1,202)	(1,202)	–	(1,202)
Declared dividends by subsidiaries		–	–	–	–	–	–	–	–	–	(26)	(26)
Transfer to reserves	16	–	–	–	250	–	–	–	(250)	–	–	–
Acquisition of minority interest	3	–	–	–	–	–	–	–	1	1	(5)	(4)
<b>Balance as at 30 June 2017</b>		<b>46,093</b>	<b>(453)</b>	<b>23,038</b>	<b>3,186</b>	–	<b>(22)</b>	<b>(73)</b>	<b>95,177</b>	<b>166,946</b>	<b>2,271</b>	<b>169,217</b>
<b>Balance as at 1 July 2017</b>		<b>46,093</b>	<b>(453)</b>	<b>23,038</b>	<b>3,186</b>	–	<b>(22)</b>	<b>(73)</b>	<b>95,177</b>	<b>166,946</b>	<b>2,271</b>	<b>169,217</b>
Net profit for the year		–	–	–	–	–	–	–	9,036	9,036	427	9,463
Other comprehensive income		–	–	–	–	–	–	33	–	33	–	33
<b>Total comprehensive income</b>		–	–	–	–	–	–	<b>33</b>	<b>9,036</b>	<b>9,069</b>	<b>427</b>	<b>9,496</b>
Declared dividends by Company	28	–	–	–	–	–	–	–	(1,202)	(1,202)	–	(1,202)
Declared dividends by subsidiaries		–	–	–	–	–	–	–	–	–	(14)	(14)
Transfer to reserves	16	–	–	–	233	–	–	–	(233)	–	–	–
Acquisition of minority interest	3	–	–	–	–	–	–	–	173	173	(596)	(423)
<b>Balance as at 30 June 2018</b>		<b>46,093</b>	<b>(453)</b>	<b>23,038</b>	<b>3,419</b>	–	<b>(22)</b>	<b>(40)</b>	<b>102,951</b>	<b>174,986</b>	<b>2,088</b>	<b>177,074</b>

(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
<b>Balance as at 1 July 2016</b>		46,093	(455)	23,038	2,936	–	32,205	103,817
Net profit for the year		–	–	–	–	–	4,658	4,658
Other comprehensive income		–	–	–	–	–	–	–
<b>Total comprehensive income</b>		–	–	–	–	–	4,658	4,658
Disposal of own shares		–	2	–	–	–	(2)	–
Declared dividends by the Company	28	–	–	–	–	–	(1,202)	(1,202)
Transfer to reserves	16	–	–	–	250	–	(250)	–
<b>Balance as at 30 June 2017</b>		46,093	(453)	23,038	3,186	–	35,409	107,273
<b>Balance as at 1 July 2017</b>		46,093	(453)	23,038	3,186	–	35,409	107,273
Net profit for the year		–	–	–	–	–	3,838	3,838
<b>Total comprehensive income</b>		–	–	–	–	–	3,838	3,838
Declared dividends by the Company	28	–	–	–	–	–	(1,202)	(1,202)
Transfer to reserves	16	–	–	–	233	–	(233)	–
<b>Balance as at 30 June 2018</b>		46,093	(453)	23,038	3,419	–	37,812	109,909

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

Managing Director

Darius Zubas

9 October 2018

Finance Director

Tomas Tumėnas

9 October 2018

Chief Accountant

Ramutė Masiokaitė

9 October 2018



## Cash flow statements

	Notes	Group		Company	
		Financial year ended 30 June 2018	30 June 2017 (restated)*	Financial year ended 30 June 2018	30 June 2017
<b>Cash flows from (to) operating activities</b>					
Net profit		9,463	8,408	3,838	4,658
<b>Adjustments for non-cash items:</b>					
Depreciation and amortisation	5, 6, 7	11,203	10,709	43	39
Subsidies amortisation	17	(849)	(922)	–	–
(Gain) on disposal of property, plant and equipment	25	(834)	(310)	–	–
Change in impairment of property, plant and equipment and investment property	6, 7	493	–	–	–
Change in allowance and write-offs for receivables and prepayments	24	1,255	(600)	–	–
Inventories write down to net realisable value	10	(405)	(64)	–	–
Change in allowance for goodwill	3	–	1,121	–	–
Change in accrued income and expenses		3,007	550	345	298
Change in fair value of biological assets	23	(1,391)	(2,484)	–	–
Change in deferred income tax	27	(2,623)	506	(52)	(60)
Current income tax expenses	27	684	1,145	–	22
Expenses (income) from change in fair value of financial instruments		(1,471)	540	–	–
Dividend (income)		–	–	(4,186)	(4,773)
Interest (income)	26	(503)	(868)	(596)	(603)
Interest expenses	26	2,577	2,872	127	139
		<b>29,609</b>	<b>20,603</b>	<b>(480)</b>	<b>(280)</b>
<b>Changes in working capital:</b>					
Decrease in biological assets		2,894	1,061	–	–
(Increase) decrease in inventories		(22,191)	1,511	–	–
Decrease (increase) in prepayments		(1,598)	(3 992)	(2)	(13)
(Increase) decrease in trade and other accounts receivable		(15,793)	(9 927)	34	(14)
(Increase) decrease in restricted cash	14	(710)	199	–	–
Increase (decrease) in trade and other accounts payable		(1,401)	(2,444)	(10)	(12)
Income tax (paid)		(1,824)	(1,037)	(9)	(45)
<b>Net cash flows from (to) operating activities</b>		<b>(20,014)</b>	<b>5,974</b>	<b>(467)</b>	<b>(364)</b>

(cont'd on the next page)

\*Refer to note 2.31

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



## Cash flow statements (cont'd)

	Notes	Group		Company	
		30 June 2018	30 June 2017 (restated)*	30 June 2018	30 June 2017
<b>Cash flows from (to) investing activities</b>					
(Acquisition) of intangible assets, property, plant and equipment and investment property	5, 6, 7	(21,273)	(17,281)	(8)	(28)
Proceeds from sale of intangible assets, property, plant and equipment and investment property		2,917	1,574	–	–
Acquisition of subsidiaries (less received cash balance in the Group), including payments for subsidiaries acquired in prior periods	3	–	(1,545)	(423)	–
Increase of share capital of subsidiaries		–	–	(2,185)	(1,376)
Loans (granted)		(130)	(154)	(1,400)	(6,300)
Repayment of granted loans		430	2,255	2,197	5,393
Interest received		503	868	708	158
Dividends received		–	–	4,186	4,773
<b>Net cash flows from (to) investing activities</b>		<b>(17,553)</b>	<b>(14,283)</b>	<b>3,075</b>	<b>2,620</b>
<b>Cash flows from (to) financing activities</b>					
Proceeds from loans		61,956	63,771	–	800
(Repayment) of loans		(18,777)	(49,591)	(1,437)	(1,400)
Finance lease (payments)		(788)	(629)	–	–
Grants received	17	990	858	–	–
Interest (paid)		(2,577)	(2,872)	(99)	(124)
Dividends (paid) to non-controlling shareholders		(14)	(26)	–	–
Dividends (paid)		(1,202)	(1,202)	(1,202)	(1,202)
Acquisition of non-controlling interest		(423)	(4)	–	–
<b>Net cash flows from (to) financing activities</b>		<b>39,165</b>	<b>10,305</b>	<b>(2,738)</b>	<b>(1,926)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>1,598</b>	<b>1,996</b>	<b>(130)</b>	<b>330</b>
<b>Cash and cash equivalents at the beginning of the year</b>	15	<b>8,897</b>	<b>6,901</b>	<b>419</b>	<b>89</b>
<b>Cash and cash equivalents at the end of the year</b>	15	<b>10,495</b>	<b>8,897</b>	<b>289</b>	<b>419</b>

(cont'd on the next page)

\*Refer to note 2.31

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



## Cash flow statements (cont'd)

### Supplemental information of cash flows:

	Group		Company	
	Financial year ended		Financial year ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
<b>Non-cash operating activity:</b>				
Income tax payable set off with other taxes	-	(898)	20	10
<b>Non-cash investing activity:</b>				
Property, plant and equipment acquisitions financed by finance lease	884	103	-	-
Property, plant and equipment acquisitions financed by working capital	-	1,256	-	-

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

Managing Director	Darius Zubas		9 October 2018
Finance Director	Tomas Tumėnas		9 October 2018
Chief Accountant	Ramutė Masiokaite		9 October 2018



# Notes to the Financial Statements

## 1. General information

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

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

The principal activities of the Group are described in Note **Error! Reference source not found.**

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

As at 30 June 2018 and as at 30 June 2017 the shareholders of the Company were:

	As at 30 June 2018		As at 30 June 2017	
	Number of shares held	Percentage	Number of shares held	Percentage
Akola ApS (Denmark)	109,909,167	69.15 %	103,905,646	65.37 %
Darius Zubas	17,049,995	10.73 %	17,049,995	10.73 %
Swedbank AS (Estonia) clients	4,472,774	2.81 %	4,819,437	3.03 %
Other shareholders (private and institutional investors)	27,508,462	17.31 %	33,165,320	20.87 %
<b>Total</b>	<b>158,940,398</b>	<b>100.00 %</b>	<b>158,940,398</b>	<b>100.00 %</b>

All the shares of the Company are ordinary shares with the par value of EUR 0.29 each as at 30 June 2018 (EUR 0.29 each as at 30 June 2017) and were fully paid as at 30 June 2018 and as at 30 June 2017.

The Company holds 781,972 of its own shares, percentage 0.50%, as at 30 June 2018 (781,972 as at 30 June 2017). Subsidiaries and other related companies did not hold any shares of the Company as at 30 June 2018 and as at 30 June 2017.

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

As at 30 June 2018 the number of employees of the Group was 2,199 (2,217 as at 30 June 2017).

As at 30 June 2018 the number of employees of the Company was 9. As at and 30 June 2017 - 8

The Company's management approved these financial statements on 9 October 2018. 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 years ending 30 June 2018 and 30 June 2017.



## 2. Accounting principles

If not stated otherwise, the Company's separate 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 2018 are as follows:

### 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 (unrecognized firm commitment), derivative financial instruments 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***

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 July 2017.

#### **IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)**

The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment. These Amendments are effective for annual periods from 1 January 2017, but they have not yet been endorsed by the EU and the Management has not made use of these amendments. These amendment has no impact on the financial statements of the Group.

#### **IAS 7: Disclosure Initiative (Amendments)**

The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. These Amendments are effective for annual periods from 1 January 2017, due to this amendment, Group made changes in disclosures. Refer to note 29.

***IFRS 12 Disclosure of Interests in Other Entities:*** The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5. These Amendments are effective for annual periods from 1 January 2017. Management has assessed the application of the amendment and do not have material changes in Financial statements due to this change.

The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle, which is a collection of amendments to IFRSs. Management has assessed the application of the improvement and do not expect any changes in Financial statements due to this change.

***IAS 28 Investments in Associates and Joint Ventures: The amendments clarify that the election to*** measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

#### ***Standards issued but not yet effective and not early adopted***

#### **IFRS 9 Financial Instruments: Classification and Measurement**

The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Management has assessed the application of the amendment and do not expect material changes in Financial statements due to this change.



## 2. Accounting principles (cont'd)

### 2.1. Basis of preparation (cont'd)

#### **IFRS 15 Revenue from Contracts with Customers**

The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. Management has assessed the application of the amendment and identified the following areas, where adoption of IFRS 15 will have an impact on the Group's financial statements: equipment buy-back commitments, discounts provided to retailers, revenue recognition based on Incoterms and sales with financing component. After analysis performed impact is not considered to be material to the financial statements, therefore no further disclosures are provided for.

#### **IFRS 15: Revenue from Contracts with Customers (Clarifications)**

The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 *Revenue from Contracts with Customers*, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. Management has assessed the application of the amendment and as described above do not expect material changes in Financial statements due to this change.

#### **IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Management has assessed the application of the amendment and do not expect material changes in Financial statements due to this change.

#### **IAS 40: Transfers to Investment Property (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Management has assessed the application of the amendment and do not expect material changes in Financial statements due to this change.

#### **IFRIC INTERPETATION 22: Foreign Currency Transactions and Advance Consideration**

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Management has assessed the application of the amendment and do not expect material changes in Financial statements due to this change.

#### **IFRS 16: Leases**

The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The Group has not yet evaluated the impact of the implementation of this standard.



## 2. Accounting principles (cont'd)

### 2.1. Basis of preparation (cont'd)

#### **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The Group has not yet evaluated the impact of the implementation of this amendment.

#### **IFRS 9: Prepayment features with negative compensation (Amendments)**

The Amendment is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. The Group has not yet evaluated the impact of the implementation of this amendment.

#### **IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)**

The Amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. These Amendments have not yet been endorsed by the EU. The Group has not yet evaluated the impact of the implementation of this amendment.

#### **IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. These Amendments have not yet been endorsed by the EU. The Group has not yet evaluated the impact of the implementation of this amendment.

#### **IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments**

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. This Interpretation has not yet been endorsed by the EU. The Group has not yet evaluated the impact of the implementation of this interpretation.

The IASB has issued the **Annual Improvements to IFRSs 2015 – 2017 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. These annual improvements have not yet been endorsed by the EU. The Group has not yet evaluated the impact of the implementation of these improvements.



## 2. Accounting principles (cont'd)

### 2.1. Basis of preparation (cont'd)

- **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:** The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- **IAS 12 Income Taxes:** The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.
- **IAS 23 Borrowing Costs:** The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

#### Conceptual Framework in IFRS standards

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

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, euro (EUR). The functional currency of the Group companies operating in Lithuania is EUR. 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 at 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 income and/or expenses 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 EUR 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 income and/or expenses caption.



## 2. Accounting principles (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.

Subsidiary is an entity directly or indirectly controlled by the Company. The Company controls an entity when it can or has a right to receive a variable returns from this relation and it can have impact on these returns due to the power to govern the entity to which the investment is made.

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 using the cost method. 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.

Losses of a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

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. Acquisition costs incurred are capitalized in separate financial statements of the Company.

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. Accounting principles (cont'd)

### 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. Currently the Group does not have any associates.

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

### 2.5. 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 licenses are capitalised and then amortised over their validity period of 3 - 4 years. Disclosed as other intangible assets in Note 5.

#### 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 principles (cont'd)

### 2.6. 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 periodically 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 ready for the intended use.

### 2.7. Investment property

Land plots rented to third parties are considered to be an 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 (except of land) 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 principles (cont'd)

### 2.8. 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. Currently the Group and the Company do not have any held-to-maturity investments.

#### ***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. Currently the Group and the Company do not have any available-for-sale financial assets.



## 2. Accounting principles (cont'd)

### 2.9. Derecognition of financial assets and liabilities

#### *Financial assets*

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

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

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

#### *Financial liabilities*

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

### 2.10. Biological assets

The Group's biological assets include animals and livestock, poultry 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 (level 3). Other livestock is measured at comparable market prices (level 2).

Poultry is accounted for at fair value less costs to sell. The fair value of poultry is measured based on future value of chickens/meat broilers/eggs less costs to maintain (level 3).

Crops are accounted for at fair value less costs to sell. The fair value of crops is measured at comparable market prices based on expected yield (level 3).

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.

As at 30 June 2018 and 30 June 2017 the management of the Group treats all animals and livestock (excluding eggs and broilers) as non-current assets and all crops, eggs and broilers as current.

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

### 2.11. 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 and distribution. Cost of raw materials that 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 (unrecognized firm commitment) (Note 2.15)

### 2.12. 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.

Restricted cash held as a deposit for trading in the futures exchange is accounted as other current financial asset.



## 2. Accounting principles (cont'd)

### 2.13. 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.

### 2.14. 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 accounting treatment of 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. 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 payables

Trade payables 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.

### 2.15. 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 and interest rate swaps to hedge cash flows 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 for futures (level 1) and using valuation models for interest rate swaps (level 2 and 3). 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.

Other derivatives not used for hedge accounting are also accounted for at fair value (level 2 and 3 as described in note 2.26) with gain or losses from changes in the fair value recognised in the statement of comprehensive income.



## 2. Accounting principles (cont'd)

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

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.

#### *Fair value hedges*

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.

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.

#### *Cash flow hedges*

In relation to cash flow hedges, which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized initially as other comprehensive income in comprehensive income statement and the ineffective portion is recognized in the statement of comprehensive income (profit or loss). The gains or losses on effective cash flow hedges recognized initially in equity are either transferred to the statement of comprehensive income (profit or loss) in the period in which the hedged transaction impacts the statement of comprehensive income or included in the initial measurement of the cost of the related asset or liability.

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

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

In year ended 30 June 2018 the Group was issuing interest swap agreement with a purpose to hedge itself against a possible fluctuation/increase of EURIBOR on the loan taken from a bank, i. e. effectively switching the interest into a fixed rate (Note 14).

### 2.16. 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.



## 2. Accounting principles (cont'd)

### 2.16. Finance and operating lease obligations (cont'd)

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.

### 2.17. 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.

### 2.18. Provisions

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

#### Onerous contracts provision

Onerous contracts provision is recognised when the Group has a present obligation (legal or constructive) to purchase the goods from a third party in the future for a price higher than the market selling price at the reporting date or to sell the goods to a third party in the future for a price lower than the market purchase price at the reporting date. The difference between the value of the contract and its market price at the reporting date is charged to cost of sales in the statement of comprehensive income. Such accounting treatment of the Group's contracts is applied as long as these contracts have not been accounted for as derivatives.

### 2.19. Non-current employee benefits

According to the requirements of Lithuanian Labor 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. In addition employees of the Group are entitled to employment benefits which are approved by the Board of the Company.

The actuarial gains and losses are recognized in the statement of other 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. Starting from 1 January 2013 after the amendments to IAS 19 became effective, the past service costs are recognized 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 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 other comprehensive income as incurred.

#### Share-based payments

Employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). As further described in Note 28 employees of the Group are granted share options.

#### Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 28.



## 2. Accounting principles (cont'd)

### 2.19 Non-current employee benefits (cont'd)

That cost is to be recognised in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service conditions are fulfilled (the vesting period). 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. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 28).

#### **Cash-settled transactions**

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The fair value is determined using a binomial model or The Black-Scholes-Merton model depending on which is considered better in a given circumstances. The approach used to account for vesting conditions when measuring equity-settled transactions also applies to cash-settled transactions.

### 2.20. 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.

### 2.21. 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 2018 and 30 June 2017 the standard income tax rate for the Group non-agricultural 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 rate are Šakiai district Lukšių ŽŪB, Sidabravo ŽŪB, Biržai district Medeikių ŽŪB, Panevėžys district Aukštadvario ŽŪB, Kėdainiai district Labūnavos ŽŪB, Panevėžys district Žibartony 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 not designated for hedging. Starting from 1 January 2014 the transferable tax loss cannot cover more than 70% of the taxable profit of the current year. 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 14) 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 and Denmark tax losses can be carried forward for indefinite period.

## 2. Accounting principles (cont'd)

### 2.21. Income tax (cont'd)

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 2018	30 June 2017
Republic of Latvia*	-	15%
Republic of Estonia**	-	-
Kingdom of Denmark	22%	22%

*\*In Latvia, effective from 1<sup>st</sup> January 2018 Under the Corporate Income Tax Law, corporate income tax is payable at the time when profit is distributed. As a result, the taxable base comprises distributed profits and notional distributed profits. Resident companies are subject to tax at a rate of 20% on the gross taxable amount. The net taxable base (distributed profits and notional distributed profits) is divided by coefficient of 0.8 when determining the gross taxable base for the tax period. For period 30 June 2017 till 31 December 2017 ordinary tax rate of 15% was applied.*

*\*\*In Estonia, the taxation of profit of operating subsidiaries is deferred until the profit appropriation moment, i.e. payment of dividends. The dividends paid by the Group's companies in Estonia are taxed at the withholding tax rate of 25% as at 30 June 2018 (25% as at 30 June 2017).*

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.

### 2.22. 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, fertilizers 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.

The Group recognises revenue from projects (i.e. customer specific contracts) based on the method of percentage of completion: completion percentage is estimated by the proportion of actual costs incurred to the total estimated costs of the project. Changes in profit rates are reflected in current earnings as identified. Contract costs (including write-off of inventories) are usually recognised as an expense in profit or loss in the accounting periods in which the work to which they relate is performed. However, any expected excess of total contract costs over total contract revenue for the contract is recognised as an expense and provision for onerous contracts immediately.

Revenue from services is recognised when services are rendered.

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



## 2. Accounting principles (cont'd)

### 2.22. Revenue recognition (cont'd)

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.

### 2.23. 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.

### 2.24. 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 principles (cont'd)

### 2.25. 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.

For management purpose the Group is organized into five 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 beet pulp, soymeal, vegetable oil, rapeseed 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 equipment 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;
- food products segment includes poultry and other food final products;
- the other products and services segment includes sales of biofuel and other products and services.

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.

### 2.26. Fair value measurement

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

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

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

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

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

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

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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



## 2. Accounting principles (cont'd)

### 2.27. 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.

#### *Determining control of Karčemos kooperatinė bendrovė*

The Group indirectly controls approx. 24% of shares of Karčemos kooperatinė bendrovė (through Panevėžys district Žibartonių ŽŪB and UAB Linas Agro Grūdų centras KŪB), however, the Group has the ability to receive variable returns from this investee and can have impact on these returns due to the power to govern the relevant activities of the entity to which the investment is made through contractual agreements. Therefore management of the Group has concluded that the Group has control of Karčemos kooperatinė bendrovė.

#### 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, except for rapeseed extraction delivered on term FOB Neuss/Spyck. 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 2.15) and contracts concluded on terms FOB Neuss/Spyck which are usually net cash settled.

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

Within its agricultural inputs segment, the Group is engaged in selling fertilizers 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 11 and 12). 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 fertilizers 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.



## 2. Accounting principles (cont'd)

### 2.27. Use of significant accounting judgments and estimates in the preparation of financial statements (cont'd)

#### Significant accounting estimates

The significant areas of estimation used in the preparation of these financial statements relate to depreciation (Notes 2.6, 2.7, 6 and 7), fair value estimation of biological assets (Notes 2.10 and 9), impairment evaluation (Notes 2.24, 5, 6, 7, 8, 11, 12 and 13), estimation of fair value of assets acquired and liabilities assumed in business combinations (Note 3), assessment of net realizable value of inventories (Note 2.11 and Note 10), assessment of provision for onerous contracts (Note 2.18) and assessment of fair value of share based payments (Note 28). 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 further.

#### Valuation of biological assets

As at 30 June 2018 and 30 June 2017 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 mostly consist of three groups: animals and livestock, poultry and crops which are accounted for at fair value less costs to sell (Note 2.10).

The fair value of biological assets of the Group is determined on a recurring basis. The management determines key assumptions based on historical figures and the best estimate as at the reporting date. Applied unobservable assumptions are challenged on a regular basis and adjusted after back testing is performed. Other observable inputs used are based on publicly available sources (prices in the market). The management of the Group constantly analyses the changes in fair value and assesses what has the biggest influence on it – quantity produced, sales prices and etc.

Animals and livestock are valued in two ways: milking cows are valued using discounted cash flows method less costs to sell (level 3) and other groups of livestock at market prices less cost to sell at the reporting date (level 2). Crops are valued at market prices based on expected yield less costs to sell at the reporting date (level 3).

Poultry are valued in the following way:

Hatching chicken are valued based on the future value of the produced eggs less costs to maintain the chicken until end of its production period, slaughter costs as well as costs to sell at the reporting date (level 3).

Meat broilers are valued taking into account the average age of the chicken and its respective market value between the value range of day one and value at the moment of slaughtering the chicken (level 3).

#### Milking cows

The management of the Group decided to assess fair value of milking cows based on the discounted cash flows method because there is no active reliable market for such livestock and because this method is the most accurate estimation of the fair value of milking cows.

As at 30 June 2018 the key assumptions used to determine fair value of milking cows are the estimated milk selling price for the expected average productive life of a milking cow (EUR 0.32 for the year ending 30 June 2019 and EUR 0.32 for the year ending 30 June 2020) used to calculate the expected future cash inflows as well as pre-tax discount rate (8,8%). As at 30 June 2017 the key assumptions used to determine fair value of milking cows were the estimated milk selling price (EUR 0.30 for the year ending 30 June 2018 and EUR 0.28 for the year ending 30 June 2019) used to calculate the expected future cash inflows as well as pre-tax discount rate (10%).

The following table demonstrates the sensitivity of the fair value of milking cows to a reasonably possible change in key assumptions and its effect on profit or loss. There is no effect to other comprehensive income.

	30 June 2018		30 June 2017	
	Possible change	Effect on fair value	Possible change	Effect on fair value
Milk price	+ 15%	2,782	+ 15%	2,440
Milk price	- 15%	(2,751)	- 15%	(2,420)
Discount rate	+ 1 p.p.	(55)	+ 1 p.p.	(52)
Discount rate	- 1 p.p.	56	- 1 p.p.	53



## 2. Accounting principles (cont'd)

### 2.27. Use of significant accounting judgments and estimates in the preparation of financial statements (cont'd)

#### Valuation of biological assets (cont'd)

##### Crops

As at 30 June 2018 and 2017 the key assumptions used to determine fair value of crops are the estimated yield ranges depending on the type of crops (2.8– 7.3 tones/ha for the year ending 30 June 2018 and 4.0 – 9.5 tones/ha for the year ending 30 June 2017) 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 the respective year.

The following table demonstrates the sensitivity of the fair value of crops to a reasonably possible change in key assumptions and its effect on profit or loss. There is no effect to other comprehensive income.

	30 June 2018		30 June 2017	
	Possible change	Effect on fair value	Possible change	Effect on fair value
Yield	+ 5%	508	+ 5%	619
Yield	- 5%	(508)	- 5%	(619)
Price	+ 5%	509	+ 5%	619
Price	- 5%	(509)	- 5%	(619)

##### Poultry

As at 30 June 2018 and 2017 the main assumptions used to determine fair value of hatching chicken are the price of the incubation eggs (EUR 0.15-0.25 for the unit; EUR 0.13-0.23 for the unit in previous financial year) which was estimated based on publicly available yearly average market price and the average number of hatching eggs produced per hatching chicken in the lifetime (152.4 units).

The following table demonstrates the sensitivity of the fair value of hatching chickens to a reasonably possible change in key assumptions and its effect on profit or loss. There is no effect to other comprehensive income.

	30 June 2018		30 June 2017	
	Possible change	Effect on fair value	Possible change	Effect on fair value
Number of eggs per lifecycle/price of eggs	+ 5%	200	+ 5%	95
Number of eggs per lifecycle/price of eggs	- 5%	(200)	- 5%	(95)

As at 30 June 2018 and 2017 the main assumptions used to determine fair value of broilers are the market price of chickens (EUR 0.36-0.47 for 1 day old and EUR 2.24 for 36 days old) which was estimated based on actual purchases/sales taking place close to the 30 June 2018 and broiler weight of 2.26 kg as at 36 days old (as at 30 June 2017 – 2.16 kg as at 36 days old).

The following table demonstrates the sensitivity of the fair value of broilers to a reasonably possible change in key assumptions and its effect on profit or loss. There is no effect to other comprehensive income.

	30 June 2018		30 June 2017	
	Possible change	Effect on fair value	Possible change	Effect on fair value
Weight	+ 5%	55	+ 5%	49
Weight	- 5%	(55)	- 5%	(49)
Price	+ 5%	55	+ 5%	68
Price	- 5%	(55)	- 5%	(68)

#### 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 (CGU) 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. Key assumptions on poultry business CGU are disclosed in Note 2.27 section *Impairment of the Company's investments into subsidiaries and loans granted*.

As at 30 June 2018 and 30 June 2017 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 the already impaired assets.



## 2. Accounting principles (cont'd)

### 2.27. Use of significant accounting judgments and estimates in the preparation of financial statements (cont'd)

#### 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 valuers.

As at 30 June 2018 and 30 June 2017 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 the already impaired assets.

#### Impairment of the Company's investments in subsidiaries and loans granted

As at 30 June 2018 and 30 June 2017 the Company has investments in subsidiaries and associates. The Company makes an assessment, at least annually, whether there are any indications that investments in subsidiaries and associates have suffered impairment.

The recoverable amount of poultry business cash generating unit (CGU), comprising of investments into and loans granted to AS Putnu fabrika Kekava, SIA Lielzeltini, SIA Cerova and SIA Broileks, was determined based on the value in use calculations that use a discounted cash flow model. Carrying value of these investments and loans amount to EUR 22,231 thousand as at 30 June 2018. The above mentioned subsidiaries were assessed as one cash generating unit. Cash generating unit was determined to be all entities operating in poultry business in a specific geographical location (Latvia). The cash flows are derived from the forecast for the next five years and a terminal value which was calculated with a terminal growth of 2% (2% as at 30 June 2017). As at 30 June 2018 and 2017 the recoverable amount of the investment into subsidiaries AS Putnu fabrika Kekava, SIA Lielzeltini, SIA Cerova and SIA Broileks is most sensitive to the pre-tax discount rate of 8.8% (10.0% as at 30 June 2017) which is used for the discounted cash flow model.

As at 30 June 2018 and 30 June 2017 there were no reasonably possible changes in the key assumptions which would cause the carrying amount of the investment into AS Putnu fabrika Kekava, SIA Lielzeltini, SIA Cerova and SIA Broileks to exceed its recoverable amount.

The Company also performed an impairment test for investments into land holding subsidiaries and associates using comparable market prices method. The Company's investments into land holding entities amounted to thousand 1.942 EUR as at 30 June 2018 (thousand 1.907 EUR 30 June 2017). According to the test performed no impairment was identified for the year ended 30 June 2018 as recoverable value of investments was higher than the carrying value.

There were no indications of impairment of investments in other subsidiaries, except for described above.

#### Impairment of goodwill

In prior year acquisition of SIA Paleo has resulted in goodwill in amount of EUR 1,970 thousand recorded as at Paleo acquisition date. Goodwill was allocated to Latvia fertilizers trading cash generating unit (CGU). No impairment was recorded in current year after impairment test performed.

The recoverable amount of mentioned cash generating unit was determined based on the value in use calculations that use a discounted cash flow model. Carrying value of CGU before impairment amounted to EUR 4,162 thousand. The cash flows are derived from the forecast for the next five years and a terminal value which was calculated with a terminal growth of 2% (2% as at 30 June 2017). As a result of an impairment test an impairment of EUR 1,121 thousand was accounted for in prior year (Note 5). As at 30 June 2018 and 2017 the recoverable amount of CGU is most sensitive to the pre-tax discount rate of 8,8% (10.0% as at 30 June 2017). In case discount rate increases by 1%, the goodwill impairment would increase by additional EUR 395 thousand.

#### Assesment of inventories net realisable value

The management of the Group makes estimates and assumptions in order to value inventories at lower of cost or net realizable value. The main factors incorporated in management assessment of inventories net realizable value are the follows:

- 1) ageing of inventories,
- 2) subsequent sales prices,
- 3) signed contracts to sell,
- 4) market prices.

Future events may occur which will cause the assumptions to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

#### Trade receivables allowance

The determination as to whether a trade receivable is collectable involves management judgment and significant estimates. Specific factors management considers, when determining if allowance for trade receivable have to be accounted for are as follows:

- 1) age of the balance,
- 2) location of customers,
- 3) existence of collateral,



## 2. Accounting principles (cont'd)

### 2.27. Use of significant accounting judgments and estimates in the preparation of financial statements (cont'd)

4) recent historical payment patterns as well as data on subsequent collections.

Future events may occur which will cause the assumptions to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

#### Share based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses an average value derived from binomial and the Black-Scholes-Merton option pricing share options incentive. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 28.

### 2.28. 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.

### 2.29. Subsequent events

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

### 2.30. Offsetting and rounding

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.

Numbers in tables may vary as they are written in round figures up to one thousand euros. Such rounding variations are not material for the financial statements.

### 2.31. Correction of error of the previous period

In the previous financial period part of prepayments done to farmers were booked under trade receivable account. In the current financial year this error was corrected retrospectively. The following adjustments were made for 30 June 2017 comparable information:

Statement of financial position	30 June 2017 (as announced previously)	Correction of error	30 June 2017 (amounts after correction of error)
Total non-current assets	134,002	-	134,002
Current prepayments	5,385	3,439	8,824
Trade receivables	101,928	(3,439)	98,489
Other current assets	111,534	-	111,534
Total current assets	218,847	-	218,847
<b>Total assets</b>	<b>352,849</b>	-	<b>352,849</b>
<b>Total equity</b>	<b>169,217</b>	-	<b>169,217</b>
Total non-current liabilities	30,097	-	30,097
Total current liabilities	153,535	-	153,535
<b>Total equity and liabilities</b>	<b>352,849</b>	-	<b>352,849</b>



## 2. Accounting principles (cont'd)

### 2.31. Correction of error of the previous period (cont'd)

Cash flow statement	30 June 2017 (as announced previously)	Correction of error	30 June 2017 (amounts after correction of error)
Net profit	8 408	-	8 408
<b>Adjustments for non-cash items</b>	<b>20 603</b>	-	<b>20 603</b>
Decrease (increase) in prepayments	(553)	(3 439)	(3 992)
(Increase) decrease in trade and other accounts receivable	(13 366)	3 439	(9 927)
<b>Net cash flows from (to) operating activities</b>	<b>5 974</b>	-	<b>5 974</b>
<b>Net cash flows from (to) investing activities</b>	<b>(14 283)</b>	-	<b>(14 283)</b>
<b>Net cash flows from (to) financing activities</b>	<b>10 305</b>	-	<b>10 305</b>
Net (decrease) increase in cash and cash equivalents	1 996	-	1 996
<b>Cash and cash equivalents at the beginning of the year</b>	<b>6 901</b>	-	<b>6 901</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>8 897</b>	-	<b>8 897</b>



### 3. Group structure and changes in the Group

As at 30 June 2018 and as at 30 June 2017 the Company held these directly and indirectly controlled subsidiaries (hereinafter the Group):

	Place of registration	Effective share of the stock held by the Group		Cost of investment in the Company		Main activities
		30 June 2018	30 June 2017	30 June 2018	30 June 2017	
<b>Investments into directly controlled subsidiaries</b>						
AB Linas Agro	Lithuania	100%	100%	56,556	56,556	Wholesale trade of grains and oilseeds, feedstuffs and agricultural inputs
UAB Linas Agro Konsultacijos	Lithuania	100%	100%	12,553	12,553	Management of the subsidiaries engaged in agriculture
UAB Dotnuva Baltic	Lithuania	100%	100%	10,688	10,688	Trade of machinery and equipment for warehousing of grains, certified seeds
UAB Linas Agro Grūdų Centras KŪB*	Lithuania	100%	100%	4,080	–	Preparation and warehousing of grains for trade
UAB Jungtinė Ekspedicija	Lithuania	100%	100%	341	341	Expedition and ship's agency services
ŽŪB Landvesta 1	Lithuania	100%	100%	704	704	Rent and management of agricultural purposes land
ŽŪB Landvesta 2	Lithuania	100%	100%	439	439	Rent and management of agricultural purposes land
ŽŪB Landvesta 5	Lithuania	100%	100%	799	764	Rent and management of agricultural purposes land
Noreikiškių ŽŪB	Lithuania	100%	100%	658	588	Rent and management of agricultural purposes land
UAB Lineliai	Lithuania	100%	100%	808	728	Rent and management of agricultural purposes land
AS Putnu fabrika Kekava	Latvia	97.09%	93.84%	6,133	5,710	Broiler breeding, slaughtering and sale of products
SIA PFK Trader	Latvia	97.09%	93.84%	–	–	Retail trade of food production
SIA Lielzeltini	Latvia	100%	100%	5,854	5,854	Broiler breeding, slaughtering and sale of products, feedstuffs
SIA Cerova	Latvia	100%	100%	790	790	Egg incubation and chicken sale
SIA Broileks	Latvia	100%	100%	47	47	Chicken breeding and sale
SIA Erfolg Group (under liquidation)	Latvia	97.09%	93.84%	–	–	Not operating company
UAB Kekava Foods LT Lithuania		97.09%	–	–	–	Retail trade of food production
				<b>100,450</b>	<b>95,762</b>	

\* UAB Linas Agro Grūdų Centras KŪB was associate of the Company as at 30 June 2017.

As at 30 June 2018 and 2017 shares of AS Putnu fabrika Kekava and SIA Lielzeltini which are held by the Company were pledged to banks as a collateral for the loans (Note 18).



### 3. Group structure and changes in the Group (cont'd)

	Place of registration	Effective share of The stock held by the Group		Cost of investment in the Company		Main activities
		30 June 2018	30 June 2017	30 June 2018	30 June 2017	
<b>Investments into indirectly controlled subsidiaries (through AB Linas Agro)</b>						
SIA Linas Agro	Latvia	100%	100%	–	–	Wholesale trade of grains and oilseeds, agricultural inputs
UAB Gerera	Lithuania	100%	100%	–	–	Not operating company
UAB Linas Agro Grūdų Centras	Lithuania	100%	100%	–	–	Management services
UAB Linas Agro Grūdų Centras KŪB**	Lithuania	100%	100%	–	2,080	Preparation and warehousing of grains for trade
Linas Agro A/S (under liquidation)	Denmark	100%	100%	–	–	Not operating company
ŽŪB Landvesta 3*	Lithuania	100%	100%	199	199	Rent and management of agricultural purposes land
ŽŪB Landvesta 4*	Lithuania	100%	100%	159	159	Rent and management of agricultural purposes land
ŽŪB Landvesta 6*	Lithuania	100%	100%	83	83	Rent and management of agricultural purposes land
<b>Investments into indirectly controlled subsidiaries (through UAB Linas Agro Konsultacijos)</b>						
ŽŪK KUPIŠKIO GRŪDAI	Lithuania	98.96%	98.96%	–	–	Preparation and warehousing of grains for trade
Biržai district Medeikių ŽŪB	Lithuania	98.34%	98.34%	–	–	Growing and sale of crops
Šakiai district Lukšių ŽŪB	Lithuania	98.80%	98.80%	–	–	Mixed agricultural activities
Panevėžys district Aukštadvario ŽŪB	Lithuania	97.65%	97.65%	–	–	Mixed agricultural activities
Sidabravo ŽŪB	Lithuania	95.21%	95.21%	–	–	Mixed agricultural activities
Kėdainiai district Labūnavos ŽŪB	Lithuania	98.60%	98.60%	–	–	Mixed agricultural activities
Užupės ŽŪB*	Lithuania	100%	100%	1	1	Rent and management of agricultural purposes land
UAB Paberžėlė	Lithuania	100%	100%	–	–	Rent and management of agricultural purposes land
Panevėžys district Žibartonių ŽŪB*	Lithuania	99.89%	99.89%	1	1	Mixed agricultural activities
		Investments into associates		443	2,525	
		(Less) impairment		(57)	(57)	
				<b>386</b>	<b>2,468</b>	

\* UAB Linas Agro Grūdų Centras KŪB, ŽŪB Landvesta 3, ŽŪB Landvesta 4, ŽŪB Landvesta 6, Užupės ŽŪB and Panevėžys district Žibartonių ŽŪB are associates of the Company as at 30 June 2018 and 2017.

\*\* UAB Linas Agro Grūdų Centras KŪB became a subsidiary of the Company in year ended 30 June 2018.

The respective share held directly by the Company did not changed as at 30 June 2018 and 2017 of ŽŪB Landvesta 3, ŽŪB Landvesta 4, ŽŪB Landvesta 6, Užupės ŽŪB, Panevėžys district Žibartonių ŽŪB and was 13.91%; 26.42%; 15.51%; 0.05%; 0.05%, respectively.

The respective share held directly by the Company as at 30 June 2018 and 2017 of ŽŪB Landvesta 5 was 66.71% and 65.71%, UAB Linas Agro Grūdų Centras KŪB was 54.19% and 37.62%, respectively.



### 3. Group structure and changes in the Group (cont'd)

	Place of registration	Effective share of the stock held by the Group		Cost of investment in the Company		Main activities
		30 June 2018	30 June 2017	30 June 2018	30 June 2017	
<b>Investments into indirectly controlled subsidiaries (through UAB Dotnuva Baltic)</b>						
SIA Dotnuva Baltic	Latvia	100%	100%	–	–	Trade of machinery and equipment for warehousing of grains, certified seeds
AS Dotnuvos Baltic	Estonia	100%	100%	–	–	Trade of machinery and equipment for warehousing of grains, certified seeds
UAB Dotnuvos Technika	Lithuania	100%	100%	–	–	Not operating company
<b>Investments into indirectly controlled subsidiaries (through UAB Linas Agro Grūdų centras KŪB)</b>						
Karčemos Kooperatinė Bendrovė	Lithuania	20%*	20%*	–	–	Preparation and warehousing of grains for trade
SIA Linas Agro Graudu Centrs	Latvia	100%	100%	–	–	Preparation and warehousing of grains for trade
SIA Paleo	Latvia	100%	100%	–	–	Warehousing activity
<b>Investments into indirectly controlled subsidiaries (through Panevėžys district Žibartonių ŽŪB)</b>						
Karčemos kooperatinė bendrovė	Lithuania	4.00%*	4.00%*	–	–	Preparation and warehousing of grains for trade

\* The Group indirectly owns 24% of shares of Karčemos kooperatinė bendrovė (through Panevėžys district Žibartonių ŽŪB and UAB Linas Agro Grūdų centras KŪB), however, the Group has control over this entity (Note 2.27) and, therefore, it has been consolidated when preparing these financial statements.

#### Changes in the Group during the 12 month period ended 30 June 2018

During 12 month period, ended 30 June 2018, the Company acquired 3.24% AS Putnu fabrika Kekava share capital for EUR 423 thousand. The shares were acquired from the non-controlling shareholders. The difference of EUR 173 thousand of gain between the consideration transferred and the carrying value of the interest acquired has been recognized within equity.

During 12 month period, ended 30 June 2018, the Company increased share capital of UAB Linas Agro Grūdų Centras KŪB, ŽŪB Landvesta 5, ŽŪB Noreikiškių, UAB Lineliai in amount EUR 2,000 thousand, EUR 35 thousand, EUR 70 thousand, EUR 80 thousand, respectively.

During the 12 month period, new company UAB Kekava Foods LT was established.



### 3. Group structure and changes in the Group (cont'd)

#### *Changes in the Group during the 12 month period ended 30 June 2017*

During 12 month period, ended 30 June 2017, the Company acquired 0.03% AS Putnu fabrika Kekava share capital for EUR 4 thousand. The shares were acquired from the non-controlling shareholders. The difference of EUR 1 thousand of gain between the consideration transferred and the carrying value of the interest acquired has been recognized within equity.

During 12 month period, ended 30 June 2017, the Company increased share capital of UAB Linas Agro Grūdų Centras KŪB, UAB Lineliai, Noreikiškių ŽŪB, ŽŪB Landvesta 5 in amount of EUR 949 thousand, EUR 90 thousand, EUR 77 thousand, EUR 257 thousand, respectively.

During 12 month period, ended 30 June 2017, the Group increased share capital of SIA Linas Agro, UAB Linas Agro Grūdų Centras KŪB, ŽŪK KUPIŠKIO GRŪDAI, SIA Linas Agro Graudu Centrs, SIA Paleo in amount of EUR 169 thousand, EUR 1 thousand, EUR 147 thousand, EUR 923 thousand, EUR 150 thousand, respectively.

### 4. Segment information

For management purpose the Group is organized into five 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 beet pulp, soymeal, 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 equipment 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;
- food products segment includes poultry and other food final products;
- the other products and services segment includes sales of biofuel and other products and services.

The Group's chief financial officer monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

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.



## 4. Segment information (cont'd)

Group	Grain and feedstuff handling and merchandising	Products and services for farming	Agricultural production	Food products	Other products and services	Not attributed to any specified segment	Adjustments and elimina- tions	Total
<b>Financial year ended 30 June 2018</b>								
<b>Revenue</b>								
Third parties	393,850	150,341	21,040	69,078	114	–	–	634,423
Intersegment	3,575	10,438	9,971	–	–	–	(23,984) <sup>1)</sup>	–
<b>Total revenue</b>	<b>397,425</b>	<b>160,779</b>	<b>31,011</b>	<b>69,078</b>	<b>114</b>	<b>–</b>	<b>(23,984)<sup>1)</sup></b>	<b>634,423</b>
<b>Results</b>								
Operating expenses <sup>6)</sup>	(8,637)	(13,920)	(3,414)	(5,352)	(188)	(6,782)	–	(38,293)
Depreciation and amortisation	(3,230)	(1,181)	(1,726)	(4,135)	(4)	(43)	–	(10,319)
Provisions for onerous contracts	368	–	–	–	–	–	–	368
Write-off bad debts and change in provisions for doubtful debts	(179)	(657)	(298)	53	(173)	–	–	(1,254)
Impairment of property plant and equipment	(53)	–	–	(440)	–	–	–	(493)
<b>Segment operating profit (loss)</b>	<b>3,984</b>	<b>5,657</b>	<b>3,146</b>	<b>3,904</b>	<b>(92)</b>	<b>(7,001)</b>	<b>–</b>	<b>9,598</b>
<b>Assets</b>								
Capital expenditure <sup>2)</sup>	8,621	715	6,133	4,250	–	8	–	19,727
Non-current assets (excluding investments into associates)	40,687	8,448	41,776	43,907	1,512	4,048 <sup>3)</sup>	–	140,378
Current assets	71,040	142,859	19,182	20,185	235	7,058 <sup>4)</sup>	–	260,559
<b>Total assets</b>	<b>111,727</b>	<b>151,307</b>	<b>60,958</b>	<b>64,092</b>	<b>1,747</b>	<b>11,106</b>	<b>–</b>	<b>400,937</b>
Current liabilities	35,482	127,055	3,621	11,415	45	11,039 <sup>5)</sup>	–	188,660



## 4. Segment information (cont'd)

Group	Grain and feedstuff handling and merchandising	Products and services for farming	Agricultural production	Food products	Other products and services	Not attributed to any specified segment	Adjustments and eliminations	Total
<b>Financial year ended 30 June 2017</b>								
<b>Revenue</b>								
Third parties	411,694	154,358	17,795	61,032	73	–	–	644,952
Intersegment	3,639	10,587	9,020	–	–	–	(23,246) <sup>1)</sup>	–
<b>Total revenue</b>	<b>415,333</b>	<b>164,945</b>	<b>26,815</b>	<b>61,032</b>	<b>73</b>	<b>–</b>	<b>(23,246)<sup>1)</sup></b>	<b>644,952</b>
<b>Results</b>								
Operating expenses <sup>6)</sup>	(7,002)	(13,769)	(3,196)	(5,533)	(293)	(4,284)	–	(34,077)
Depreciation and amortisation	(2,603)	(1,530)	(1,770)	(3,500)	–	(382)	–	(9,785)
Provisions for onerous contracts	(368)	–	–	–	–	–	–	(368)
Write-off bad debts and change in provisions for doubtful debts	989	(146)	–	23	(266)	–	–	600
Impairment of goodwill	(1,121)	–	–	–	–	–	–	(1,121)
<b>Segment operating profit (loss)</b>	<b>7,989</b>	<b>3,806</b>	<b>3,329</b>	<b>1,545</b>	<b>(196)</b>	<b>(4,419)</b>	<b>–</b>	<b>12,054</b>
<b>Assets</b>								
Capital expenditure <sup>2)</sup>	5,941	851	5,935	5,326	587	–	–	18,640
Non-current assets (excluding investments into associates)	35,255	10,574	37,273	44,572	1,685	4,643 <sup>3)</sup>	–	134,002
Current assets	21,747	143,026	20,899	13,700	198	19,277 <sup>4)</sup>	–	218,847
<b>Total assets</b>	<b>57,002</b>	<b>153,600</b>	<b>58,172</b>	<b>58,272</b>	<b>1,883</b>	<b>23,920</b>	<b>–</b>	<b>352,849</b>
Current liabilities	23,410	100,053	3,771	8,351	41	17,909 <sup>5)</sup>	–	153,535

1) Intersegment revenue is 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, cash and cash equivalents.

5) As at 30 June 2018 and 2017 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.



## 4. Segment information (cont'd)

Sales / Income includes:

	Group		Company	
	Financial year ended			
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Sales of goods	617,437	623,799	–	–
Sales of services	16,985	21,153	30	50
Dividends from subsidiaries	–	–	4,186	4,773
Rental income from investment and other property	–	–	56	56
Other	–	–	190	114
	<b>634,423</b>	<b>644,952</b>	<b>4,462</b>	<b>4,993</b>

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

Revenue from external customers	Group	
	12 month period ended	
	30 June 2018	30 June 2017
Lithuania	162,626	170,362
Europe (except for Scandinavian countries, CIS and Lithuania)	208,194	240,533
Scandinavian countries	77,823	51,524
Africa	29,242	30,926
Asia	144,045	134,523
CIS	12,137	17,084
Other	356	–
	<b>634,423</b>	<b>644,952</b>

Revenue from largest customer amounted to EUR 59,785 thousand for the year ended 30 June 2018. Revenue from largest customer amounted to EUR 46,795 thousand for the year ended 30 June 2017. Sales for largest customers are accounted for under grain and feedstuff handling and merchandising caption of business segments as at 30 June 2018 and 2017.

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

Non-current assets	Group	
	As at 30 June 2018	As at 30 June 2017
Lithuania	68,245	66,695
Latvia	55,957	52,559
Estonia	1,200	1,429
Denmark	–	2
	<b>125,402</b>	<b>120,685</b>

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	Goodwill	Total
<b>Cost:</b>				
Balance as at 30 June 2016	920	162	1,971	3,053
Additions	97	–	–	97
Write-offs	(10)	(17)	–	(27)
Reclassifications	(58)	58	–	–
Balance as at 30 June 2017	949	203	1,971	3,123
Additions	246	47	–	293
Write-offs	(106)	(23)	–	(129)
Reclassifications	(50)	50	–	–
Balance as at 30 June 2018	1,039	277	1,971	3,287
<b>Accumulated amortization:</b>				
Balance as at 30 June 2016	554	21	–	575
Charge for the year	94	12	–	106
Write-offs	(10)	–	–	(10)
Reclassifications	(26)	26	–	–
Balance as at 30 June 2017	612	59	–	671
Charge for the year	100	18	–	118
Write-offs	(106)	(13)	–	(119)
Reclassifications	(25)	25	–	–
Balance as at 30 June 2018	581	89	–	670
<b>Impairment losses:</b>				
Balance as at 30 June 2016	–	–	–	–
Change for the year	–	–	1,121	1,121
Balance as at 30 June 2017	–	–	1,121	1,121
Balance as at 30 June 2018	–	–	1,121	1,121
<b>Net book value as at 30 June 2018</b>	<b>458</b>	<b>188</b>	<b>850</b>	<b>1,496</b>
<b>Net book value as at 30 June 2017</b>	<b>337</b>	<b>144</b>	<b>850</b>	<b>1,331</b>
<b>Net book value as at 30 June 2016</b>	<b>366</b>	<b>141</b>	<b>1,971</b>	<b>2,478</b>

The Group has no internally generated intangible assets. Amortization 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 EUR 426 thousand as at 30 June 2018 was fully amortized (EUR 399 thousand as at 30 June 2017) 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
<b>Cost:</b>							
Balance as at 30 June 2016	14,161	87,604	46,233	5,370	5,110	5,091	163,569
Additions	2,910	99	4,483	473	808	9,467	18,240
Disposals and write-offs	(177)	(171)	(2,590)	(410)	(356)	(293)	(3,997)
Transfers from investment property	248	–	–	–	–	–	248
Reclassifications	88	2,111	4,005	–	–	(6,204)	–
Balance as at 30 June 2017	17,230	89,643	52,131	5,433	5,562	8,061	178,060
Additions	2,219	30	3,327	723	407	12,728	19,434
Disposals and write-offs	(271)	(1,864)	(3,425)	(979)	(1,225)	(367)	(8,131)
Transfers from investment property	302	–	–	–	–	–	302
Transfers to investment property	(219)	–	–	–	–	–	(219)
Reclassifications	107	8,518	1,830	157	68	(10,680)	–
Balance as at 30 June 2018	19,368	96,327	53,863	5,334	4,812	9,742	189,446
<b>Accumulated depreciation:</b>							
Balance as at 30 June 2016	3	24,941	20,138	2,818	3,045	–	50,945
Charge for the year	36	5,672	3,840	749	788	–	11,085
Disposals and write-offs	(2)	(133)	(1,538)	(397)	(255)	–	(2,325)
Balance as at 30 June 2017	37	30,480	22,440	3,170	3,578	–	59,705
Charge for the year	46	5,770	4,544	706	734	–	11,800
Disposals and write-offs	(1)	(788)	(2,833)	(903)	(1,025)	–	(5,550)
Transfers to investment property	(1)	–	–	–	–	–	(1)
Reclassifications	–	–	–	128	(128)	–	–
Balance as at 30 June 2018	81	35,462	24,151	3,101	3,159	–	65,954
<b>Impairment losses:</b>							
Balance as at 30 June 2016	–	399	10	–	–	–	409
Balance as at 30 June 2017	–	399	10	–	–	–	409
Charge for the year	–	297	154	–	42	–	493
Balance as at 30 June 2018	–	696	164	–	42	–	902
<b>Net book value as at 30 June 2018</b>	<b>19,287</b>	<b>60,169</b>	<b>29,548</b>	<b>2,233</b>	<b>1,611</b>	<b>9,742</b>	<b>122,590</b>
<b>Net book value as at 30 June 2017</b>	<b>17,193</b>	<b>58,764</b>	<b>29,681</b>	<b>2,263</b>	<b>1,984</b>	<b>8,061</b>	<b>117,946</b>
<b>Net book value as at 30 June 2016</b>	<b>14,158</b>	<b>62,264</b>	<b>26,085</b>	<b>2,552</b>	<b>2,065</b>	<b>5,091</b>	<b>112,215</b>



## 6. Property, plant and equipment (cont'd)

The Group's depreciation charge for the years ended 30 June 2018 and 30 June 2017 was included into the following captions:

	Financial year ended	
	30 June 2018	30 June 2017
Cost of sales	9,266	8,867
Operating expenses	1,637	1,560
Other expenses	174	170
Raw materials and other inventories	231	50
Biological assets	492	438
	<b>11,800</b>	<b>11,085</b>

Depreciation amount was decreased in the statement of comprehensive income by EUR 843 thousand for the year ended 30 June 2018 (EUR 922 thousand for the year ended 30 June 2017) by the amortisation of grants received by the Group (Note 17).

As at 30 June 2018 part of property, plant and equipment of the Group with the net book value of EUR 96,969 thousand (EUR 96,994 thousand as at 30 June 2017), was pledged to banks as a collateral for the loans (Note 18).

Part of property, plant and equipment with the acquisition cost of EUR 17,442 thousand was fully depreciated as at 30 June 2018 (EUR 19,613 thousand as at 30 June 2017), 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 2018.

<b>Cost:</b>	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
Balance as at 30 June 2016	1,335	119	1,454
Additions	289	14	303
Disposals and write-offs	–	(2)	(2)
Transfers to property, plant and equipment	(248)	–	(248)
Balance as at 30 June 2017	1,376	131	1,507
Transfers to property, plant and equipment	(302)	–	(302)
Transfers from property, plant and equipment	219	–	219
Balance as at 30 June 2018	1,293	131	1,424
<b>Accumulated depreciation:</b>			
Balance as at 30 June 2016	–	44	44
Charge for the year	–	6	6
Disposals and write-offs	–	(2)	(2)
Balance as at 30 June 2017	–	48	48
Charge for the year	1	7	8
Transfers from property, plant and equipment	1	–	1
Balance as at 30 June 2018	1	55	57
<b>Impairment losses</b>			
Balance as at 30 June 2016	51	–	51
Balance as at 30 June 2017	51	–	51
Balance as at 30 June 2018	51	–	51
<b>Net book value as at 30 June 2018</b>	<b>1,240</b>	<b>76</b>	<b>1,316</b>
<b>Net book value as at 30 June 2017</b>	<b>1,325</b>	<b>83</b>	<b>1,408</b>
<b>Net book value as at 30 June 2016</b>	<b>1,284</b>	<b>75</b>	<b>1,359</b>

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



## 7. Investment property (cont'd)

As at 30 June 2018 part of investment property of the Group with the net book value of EUR 684 thousand (EUR 782 thousand as at 30 June 2017), was pledged to banks as a collateral for the loans (Note 18). As at 30 June 2018 and 30 June 2017 the Company has pledged all its investment property to the bank as collateral for the loan received by its subsidiary AB Linas Agro (Note 18).

As at 30 June 2018 part of investment property of the Group and the Company with the net book value of EUR 401 thousand and EUR 0, respectively (EUR 411 thousand and EUR 0, respectively as at 30 June 2017) 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 2018 is EUR 3,737 thousand and EUR 411 thousand, respectively (as at 30 June 2017 EUR 3,112 thousand and EUR 495 thousand, respectively). Fair value has been determined based on valuations performed by independent valuers at near reporting date using the comparable prices method (Level 2).

## 8. Non-current receivables and prepayments

	Group		Company	
	As at 30 June 2018	As at 30 June 2017	As at 30 June 2018	As at 30 June 2017
Trade receivables from agricultural produce growers due after one year	521	98	–	–
Other trade receivables	769	932	–	–
Loans receivable from related parties after one year (Note 31)	–	–	11,370	11,259
Loans receivable after one year	411	1,520	–	296
Other non-current receivable	–	24	–	–
Loans to employees	140	39	–	–
Less: allowance for doubtful non-current receivables	–	(1,089)	–	–
	<b>1,841</b>	<b>1,524</b>	<b>11,370</b>	<b>11,555</b>
Non-current prepayments for services	1,590	1,784	–	–
<b>Non-current prepayments</b>	<b>1,590</b>	<b>1,784</b>	<b>–</b>	<b>–</b>

Movements in the allowance for impairment of the Group's non-current receivables were as follows:

	Individually impaired
Balance as at 30 June 2016	1,089
Balance as at 30 June 2017	1,089
Written-off during the year	(1,089)
Balance as at 30 June 2018	–

The Company's non-current receivables as at 30 June 2018 and 30 June 2017 are neither past due nor impaired.

The ageing analysis of the Group's non-current receivables as at 30 June 2018 and 30 June 2017 is as follows:

	Non-current 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	
<b>2017</b>	1,524	–	–	–	–	<b>1,524</b>
<b>2018</b>	1,841	–	–	–	–	<b>1,841</b>



## 9. Biological assets

Fair value of the Group's animals and livestock:

	Milking cows (level 3)	Heifers (level 2)	Bulls and fattening cattle (level 2)	Horses (level 2)	Poultry (level 3)	Total animals and livestock
<b>Fair value as at 30 June 2016</b>	<b>3,589</b>	<b>2,074</b>	<b>1,062</b>	<b>1</b>	<b>2,610</b>	<b>9,336</b>
Acquisition	–	–	–	–	4,044	4,044
Births	–	104	109	–	310	523
Makeweight	–	2,032	1,187	–	38,264	41,483
Transfers between groups	1,287	(1,745)	458	–	–	–
Disposals	(905)	(211)	(1,615)	–	(42,098)	(44,829)
Write-offs and falls	(38)	(26)	(54)	–	(462)	(580)
Change in fair value of biological assets (Note 23)	(9)	–	(133)	–	339	197
<b>Fair value as at 30 June 2017</b>	<b>3,924</b>	<b>2,228</b>	<b>1,014</b>	<b>1</b>	<b>3,007</b>	<b>10,174</b>
Acquisition	–	–	–	–	8,445	8,445
Births	–	107	104	–	309	520
Makeweight	–	2,003	1,175	–	34,821	37,999
Transfers between groups	1,652	(1,787)	135	–	–	–
Disposals	(1,485)	(372)	(1,390)	–	(43,280)	(46,527)
Write-offs and falls	(94)	(32)	(35)	(1)	(447)	(609)
Change in fair value of biological assets (Note 23)	157	–	260	–	619	1,036
<b>Fair value as at 30 June 2018</b>	<b>4,154</b>	<b>2,147</b>	<b>1,263</b>	<b>–</b>	<b>3,474</b>	<b>11,038</b>

As at 30 June 2018 part of poultry amounting to EUR 2,312 thousand is disclosed as current assets (EUR 2,164 thousand as at 30 June 2017).

Quantity according to biological assets group:	Milking cows (level 3)	Heifers (level 2)	Bulls and fattening cattle (level 2)	Horses (level 2)	Poultry (level 3)	Total animals and livestock
As at 30 June 2018	3,227	3,119	1,913	2	2,153,252	2,161,513
As at 30 June 2017	3,243	3,210	1,840	3	1,743,368	1,751,664
<b>Output according to biological assets group for the year ended (t) (unaudited):</b>						
As at 30 June 2018	31,455	617	557	–	44,002	76,631
As at 30 June 2017	30,299	544	595	–	43,767	75,205



## 9. Biological assets (cont'd)

Fair value of the Group's crops (level 3):

	Winter cultures	Summer cultures	Rapeseeds	Feeding cultures	Total crops
<b>Fair value as at 30 June 2016</b>	<b>5,377</b>	<b>4,322</b>	<b>2,623</b>	<b>1,491</b>	<b>13,813</b>
Additions	5,598	4,173	2,622	2,254	14,647
Harvested assets	(6,157)	(4,820)	(2,770)	(2,164)	(15,911)
Fair value adjustment on biological assets (Note 23)	1,003	493	814	(23)	2,287
<b>Fair value as at 30 June 2017</b>	<b>5,821</b>	<b>4,168</b>	<b>3,289</b>	<b>1,558</b>	<b>14,836</b>
Additions	4,798	5,434	2,767	2,790	15,789
Harvested assets	(6,688)	(4,973)	(3,766)	(2,698)	(18,125)
Fair value adjustment on biological assets (Note 23)	(13)	392	91	(114)	356
<b>Fair value as at 30 June 2018</b>	<b>3,918</b>	<b>5,021</b>	<b>2,381</b>	<b>1,536</b>	<b>12,856</b>
<b>Crops under groups:</b>	<b>Winter cultures</b>	<b>Summer cultures</b>	<b>Rapeseeds</b>	<b>Feeding cultures</b>	<b>Total crops</b>
Total sowed (ha) as at 30 June 2017	6,286	5,448	2,654	2,803	17,191
Total sowed (ha) as at 30 June 2018	4,591	6,735	2,455	3,218	16,999
<b>Harvested crops under groups (unaudited):</b>					
Total harvest for the year ended 30 June 2017 (t)	40,596	25,975	8,346	82,068	156,985
Total harvest for the year ended 30 June 2018 (t)	45,838	29,833	11,039	85,837	172,547

During the years ended 30 June 2018 and 2017 there were no transfers between the different levels of fair value hierarchy.

As at 30 June 2018 part of animals and livestock of the Group with the carrying value of EUR 2.338 thousand (EUR 1,107 thousand as at 30 June 2017) were pledged to banks as a collateral for the loans (Note 18).



## 10. Inventories

	Group	
	As at 30 June 2018	As at 30 June 2017
Purchased goods for resale	84,753	63,334
Raw materials and other inventories	10,272	9,269
Commitments to purchase agricultural produce (Note 14)	2,040	1,020
Less: net realisable value allowance	(1,192)	(1,597)
	<b>95,873</b>	<b>72,026</b>

The carrying value of the Group's inventories accounted for at net realizable value as at 30 June 2018 amounted to EUR 10,884 thousand (EUR 15,466 thousand as at 30 June 2017). The amount of write-down of inventories to net realizable value recognized as an expense in the year ended 30 June 2018 is EUR 84 thousand (EUR 64 thousand in the year ended 30 June 2017), and is recognized in cost of sales of the statement of comprehensive income.

As at 30 June 2018 part of inventories of the Group with the carrying value of EUR 77,936 thousand (EUR 57,648 thousand as at 30 June 2017) were pledged to banks as collateral for the loans (Note 18).

## 11. Prepayments

	Group	
	As at 30 June 2018	As at 30 June 2017 (restated)
Prepayments to agricultural produce growers	1,376	4,087
Prepayments to other suppliers	10,830	4,737
Less: allowance for doubtful prepayments to other suppliers	–	–
	<b>12,206</b>	<b>8,824</b>

During year ended 30 June 2018 and 30 June 2017, prepayments were made directly to agricultural produce growers of production and others. 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. Prepayments to other suppliers as at 30 June 2018 and 30 June 2017 mostly relate to products and services for farming business segment and are also non interest bearing.



## 12. Trade receivables

	Group	
	As at 30 June 2018	As at 30 June 2017 (restated)
Trade receivables from agricultural produce growers	77,038	78,951
Trade receivables from other customers	43,515	21,920
Less: allowance for doubtful trade receivables	(3,517)	(2,382)
	<b>117,036</b>	<b>98,489</b>

As at 30 June 2018 the Group holds lignin as a collateral for the part of trade receivables (total amounting to EUR 1,534 thousand, part of which is accounted for as non current receivable) which could be sold or replighted if the debtor defaulted. The fair value of the collateral amounts to EUR 1,826 thousand (level 3). There are no significant terms and conditions associated with the use of collateral.

Changes in allowance for trade receivables for the years ended 30 June 2018 and 30 June 2017 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 2018 the Group's trade receivables with the nominal value of EUR 2,491 thousand (EUR 1,512 thousand as at 30 June 2017) 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 2016	3,309
Charge for the year	573
Reversed during the year	(1,113)
Written-off during the year	(387)
Balance as at 30 June 2017	2,382
Charge for the year	1,255
Reversed during the year	(31)
Written-off during the year	(89)
Balance as at 30 June 2018	3,517

The ageing analysis of the Group's trade receivables as at 30 June 2018 and 30 June 2017 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
<b>2017 (restated)</b>	89,314	7,887	196	787	305	98,489
<b>2018</b>	94,639	21,047	518	688	144	117,036

As at 30 June 2018 the Group transferred rights to part of its trade receivables with the value of EUR 117,036 thousand (EUR 93,165 thousand as at 30 June 2017) to banks as collateral for the loans (Note 18). Factorised trade receivables in the amount of EUR 2,767 thousand as at 30 June 2018 (EUR 2,189 as at 30 June 2017) are included in aggregate amount of collateral for the loans.



### 13. Other accounts receivable

Financial assets	Group	
	As at 30 June 2018	As at 30 June 2017
National Paying Agency	2,160	2,171
Loans receivable	129	205
Loans granted to the Group employees	15	22
Interest receivable	54	117
Accrued income	1,985	1,154
Receivable for assets held for sale	80	43
Other receivables	13	421
Less: allowance for doubtful loans receivable	(108)	(70)
	<b>4,328</b>	<b>4,063</b>
<b>Non-financial assets</b>		
VAT receivable	2,639	7,952
Other recoverable taxes	161	71
	<b>2,800</b>	<b>8,023</b>
	<b>7,128</b>	<b>12,086</b>

Changes in allowance for other accounts receivables for the years ended 30 June 2018 and 2017 were included into operating expenses in the statement of comprehensive income.

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

	Individually impaired
Balance as at 30 June 2016	172
Written-off during the year	(102)
Balance as at 30 June 2017	70
Charge for the year	38
Balance as at 30 June 2018	108

The ageing analysis of the Group's other receivables (except for non-financial assets) as at 30 June 2018 and 30 June 2017 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	
<b>2017</b>	3,891	84	1	25	62	4,063
<b>2018</b>	4,110	209	–	–	9	4,328



## 14. Other current financial assets and derivative financial instruments

The Group uses the hierarchy described in Note 2.26 for determining and disclosing the fair value of financial instruments by valuation technique:

			Group	
			As at 30 June 2018	As at 30 June 2017
<b>Derivative financial instruments</b>				
Derivative financial instruments used to hedge the price risk (current portion) – assets (liabilities)	Level 1	a)	(980)	(1,170)
Derivative financial instruments used to hedge the interest risk (current portion) – assets (liabilities)	Level 2	b)	(47)	(60)
Derivative financial instruments used to hedge the interest risk (long term portion) – assets (liabilities)	Level 2	b)	-	(25)
Foreign exchange forward and swap contracts – assets	Level 2		62	28
Foreign exchange forward and swap contracts – liabilities	Level 2		-	(165)
<b>Other financial assets</b>				
Other	Level 3		-	82
Restricted cash		c)	1,400	690
			1,400	772

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/purchases contracts with fixed price. As at 30 June 2018 to hedge the arising risk of price fluctuations for the total amount of such unutilised purchase or sales 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 2018 the negative fair value of such futures contracts was equal to EUR 980 thousand (EUR 1,170 thousand of negative fair value as at 30 June 2017). These results are accounted for in cost of sales in the statement of comprehensive income. Hedged item (commitments to purchase agricultural produce) of EUR 2,040 thousand of gain (EUR 1,020 thousand of gain as at 30 June 2017) is accounted for as inventories (Note 10) 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. Derivative financial instruments used for trading are accounted in other income (expenses).
- b) Derivative financial instruments used to hedge interest rate fluctuation risk were attributed to the category of cash flow hedge. As at 30 June 2018 the Group had an interest rate swap agreement. As at 2 March 2016 the Group signed the interest rate swap agreement for a nominal of EUR 20,000 thousand, for the period of 4 March 2016 – 4 March 2019. The Group pays 0 % fixed interest rate and receives fluctuating EURIBOR interest for the amount set per agreement. The interest rate swap is used to hedge market interest rate fluctuations and secure cash flow used for credit line repayments (Note 18).

The fair value of derivative financial instrument is determined at each financial statement date. The interest rate swap effective part fair value change is accounted in other comprehensive income and ineffective part fair value change is accounted in profit (loss) in the statement of comprehensive income.

	Group	
	Financial year ended 30 June 2018	Financial year ended 30 June 2017
<b>Recognised in other comprehensive income:</b>		
Gain (loss) on interest rate swap contract (effective part)	38	94
Income tax effect	(6)	(14)
	<b>32</b>	<b>80</b>
c) As at 30 June 2018 and 30 June 2017 restricted cash balance mostly consists of cash at bank account, held as a deposit for trading in the futures exchange.		

Where the fair value of other financial assets can't be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. Where possible, these models use market data but where this is not feasible a certain assumptions are used in establishing fair values.



## 15. Cash and equivalents

	Group		Company	
	As at 30 June 2018	As at 30 June 2017	As at 30 June 2018	As at 30 June 2017
Cash at bank	10,413	8,839	289	419
Cash in transit	27	17	–	–
Cash on hand	55	41	–	–
	<b>10,495</b>	<b>8,897</b>	<b>289</b>	<b>419</b>

As at 30 June 2018 the Group pledged cash of EUR 1,551 thousand (EUR 1,178 thousand as at 30 June 2017) to banks as collateral for the loans (Note 18).

As at 30 June 2018 and 30 June 2017 there were no restrictions on use of cash balances held in the pledged accounts (Note 18).

## 16. 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 2018 and 30 June 2017.

### *Reserve for own shares*

During the year ended 30 June 2017 the Company disposed of 4,000 own shares, net result of this transaction is recognised directly to the statement of changes in equity. No such transactions occurred in current year.

### *Foreign currency translation reserve*

The foreign currency translation reserve results from translation differences arising on consolidation of Linas Agro A/S as at 30 June 2018 and 2017.

### *Cash flow hedge reserve*

This reserve represents the effective part of the change in fair value of the derivative financial instruments (interest rate swaps), used by the Group to secure the cash flows from interest rate risk, at the reporting date. The reserve is accounted for according to the requirements of IAS 39 (Note 14).

## 17. Grants and subsidies

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

Balance as at 30 June 2016	7,196
Received	858
Amortisation	(928)
Balance as at 30 June 2017	7,126
Received	990
Amortisation	(951)
Balance as at 30 June 2018	7,165



## 17. Grants and subsidies (cont'd)

As at 30 June 2018 the amount is disclosed in the statement of financial position as non-current liabilities (EUR 6,299 thousand) and other current liabilities (EUR 866 thousand) (as at 30 June 2017 EUR 6,236 thousand as non-current liabilities and EUR 890 thousand - as other current liabilities).

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 2018 and 30 June 2017 was included into the following captions:

	Group	
	Financial year ended	
	30 June 2018	30 June 2017
Cost of sales (reduces the depreciation expenses of related assets)	843	917
Operating expenses	3	5
Biological assets	105	-
Raw materials and other inventories	-	6
	<b>951</b>	<b>928</b>

For the years ended 30 June 2018 and 30 June 2017 the Group also received subsidies for animals and livestock, crops and milk in the total amount of EUR 2,985 thousand and EUR 3,576 thousand, respectively, which were accounted for in the sales caption of the statement of comprehensive income.

## 18. Borrowings

	Group		Company	
	As at 30 June 2018	As at 30 June 2017	As at 30 June 2018	As at 30 June 2017
<b>Non-current borrowings</b>				
Bank borrowings secured by the Group assets	27,171	20,401	-	-
Other non-current borrowings	9	-	-	-
Other non-current related parties borrowings (Note 31)	-	-	2,654	1,448
	27,180	20,401	2,654	1,448
<b>Current borrowings</b>				
Current portion of non-current bank borrowings	6,835	11,061	933	2,100
Current bank borrowings secured by the Group assets	117,110	74,279	-	-
Other current borrowings	999	3,215	-	-
Other current related parties borrowings (Note 31)	-	-	744	2,195
	124,944	88,555	1,677	4,295
	<b>152,124</b>	<b>108,956</b>	<b>4,331</b>	<b>5,743</b>

Interest payable is normally settled monthly throughout the financial year.

As at 30 June 2018 and 30 June 2017 part of shares, 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 3, 6, 7, 9, 10, 12, 15).

### Compliance with the covenants of the borrowings agreements

During the year ended 30 June 2018 four of the Group companies did not comply with the covenants, however these companies did not have non-current portion of such borrowings (total sum of such borrowings – EUR 115,547 thousand), thus no reclassification made on financial statements of the Group. Companies received bank waivers in terms of covenants breach, however they were received after end of financial year.



## 18. Borrowings (cont'd)

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

	Group		Company	
	As at 30 June 2018	As at 30 June 2017	As at 30 June 2018	As at 30 June 2017
Current borrowings	1.68%	1.59%	–	3.00%
Non-current borrowings	1.83%	1.80%	1.65%	2.22%

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

	Group		Company	
	As at 30 June 2018	As at 30 June 2017	As at 30 June 2018	As at 30 June 2017
<b>Borrowings denominated in:</b>				
EUR	142,645	106,883	4,331	5,743
USD	9,427	2,073	–	–
	<b>152,072</b>	<b>108,956</b>	<b>4,331</b>	<b>5,743</b>

As at 30 June 2018 the Group's not utilized credit lines comprise EUR 31,320 thousand (EUR 57,200 thousand as at 30 June 2017).

## 19. Finance lease obligations

The assets leased by the Group under finance lease contracts consist of buildings and structures, machinery and equipment, vehicles and other property, plant and equipment. 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. Apart from the lease payments, the most significant liabilities under the lease contracts are maintenance and insurance. The terms of finance lease vary from 3 to 5 years.

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

	Group	
	As at 30 June 2018	As at 30 June 2017
Machinery and equipment	539	437
Vehicles	702	639
	<b>1,241</b>	<b>1,076</b>

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

	Group	
	As at 30 June 2018	As at 30 June 2017
EUR	1,730	1,635
	<b>1,730</b>	<b>1,635</b>

As at 30 June 2018 the interest rate on the finance lease obligations in EUR varies depending on the EURLIBOR, EURIBOR and ranges from 0.00% to 3.20%. The interest rate for the remaining portion of the finance lease liability in EUR outstanding as at 30 June 2018 is fixed, i.e. from 1.26% to 5.0%.

As at 30 June 2017 the interest rate on the finance lease obligations in EUR varies depending on the EURLIBOR, EURIBOR and ranges from 1.00% to 5.67%. The interest rate for the remaining portion of the finance lease liability in EUR outstanding as at 30 June 2017 is fixed, i.e. from 1.8% to 5.89%.



## 19. Finance lease obligations (cont'd)

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

	<b>Group</b>	
	<b>As at 30 June 2018</b>	<b>As at 30 June 2017</b>
Within one year	612	601
From one to five years	1,109	991
After five years	156	201
<b>Total finance lease obligations</b>	<b>1,878</b>	<b>1,793</b>
Interest	(147)	(158)
Present value of finance lease obligations	1,731	1,635
Finance lease obligations are accounted for as:		
- current	559	559
- non-current	1,172	1,076

## 20. 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 2018 the lease expenses of the Group amounted to EUR 1,023 thousand (EUR 1,470 thousand for the year ended 30 June 2017).

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

	<b>Group</b>	
	<b>As at 30 June 2018</b>	<b>As at 30 June 2017</b>
Within one year	1,697	1,502
From one to five years	2,765	2,422
After five years	41	85
<b>Total</b>	<b>4,503</b>	<b>4,009</b>
Denominated in (EUR equivalent):		
- EUR	4,503	4,009

The Company does not have operating lease agreements as at 30 June 2018 and 30 June 2017.

## 21. Trade payables

Trade payables are non-interest bearing and are normally settled on 360-day term.



## 22. Other current liabilities

	Group	
	As at 30 June 2018	As at 30 June 2017
Bonuses to employees	5,550	4,504
Vacation accrual	3,636	3,103
Advances received	3,176	976
Payroll related liabilities	3,401	2,986
VAT payable	2,367	2,738
Current portion of grants (Note 17)	866	890
Other liabilities	3,991	2,740
	<b>22,987</b>	<b>17,937</b>

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

## 23. Cost of sales

	Group	
	Financial year ended	
	30 June 2018	30 June 2017
Cost of inventories recognised as an expense*	(509,632)	(522,845)
Logistics expenses	(41,217)	(40,567)
Wages and salaries and social security	(23,511)	(22,821)
Depreciation (Notes 6, 17)	(8,435)	(7,950)
Utilities expenses	(5,978)	(5,171)
Change in fair value of biological assets (Note 9)	1,391	2,484
Change in fair value of financial instruments	226	303
Other	(1,419)	(2,109)
	<b>(588,575)</b>	<b>(598,676)</b>

\* Cost of inventories recognised as an expense includes previous season fair value adjustment to sold crops amounting to EUR 2,287 thousand which was expensed during the year ended 30 June 2018 (EUR 1,122 thousand recognized as an expense for the year ended 30 June 2017).

## 24. Operating expenses

	Group		Company	
	Financial year ended			
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Wages and salaries and social security	(23,474)	(21,870)	(771)	(570)
Change in allowance for and write-offs of receivables and prepayments	(1,254)	600	–	–
Consulting expenses	(715)	(1,344)	(88)	(71)
Depreciation and amortization	(1,733)	(1,661)	(16)	(40)
Advertisement, marketing	(1,917)	(1,405)	(1)	–
Bank fees	(947)	(986)	(3)	(2)
Change in impairment of property, plant and equipment (Note 6)	(493)	–	–	–
Currency exchange loss	(410)	(127)	–	–
Other	(7,351)	(7,284)	(265)	(154)
	<b>(38,294)</b>	<b>(34,077)</b>	<b>(1,144)</b>	<b>(837)</b>



## 25. Other income (expenses)

	Group	
	Financial year ended	
	30 June 2018	30 June 2017
<b>Other income</b>		
Rental income from investment property and property, plant and equipment	242	252
Gain from disposal of investment property and property, plant and equipment	934	351
Currency exchange gain	443	729
Change in fair value of financial instruments	1,648	219
Write-off of liabilities	6	1
Other income	264	103
	<b>3,537</b>	<b>1,655</b>
<b>Other (expenses)</b>		
Direct operating expenses arising on rental and non-rental earning investment properties	(433)	(298)
Loss from disposal of property, plant and equipment	(100)	(41)
Impairment of goodwill (Note 2.27)	–	(1,121)
Change in fair value of financial instruments	(667)	(165)
Other expenses	(294)	(175)
	<b>(1,494)</b>	<b>(1,800)</b>

## 26. Income (expenses) from financing activities

	Group		Company	
	Financial year ended		Financial year ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
<b>Income from financing activities</b>				
Interest income	485	868	596	603
Income from overdue payments	18	34	–	–
	<b>503</b>	<b>902</b>	<b>596</b>	<b>603</b>
<b>(Expenses) from financing activities</b>				
Interest expenses	(2,564)	(2,872)	(127)	(139)
Expenses for overdue payments	(13)	(39)	–	–
	<b>(2,577)</b>	<b>(2,911)</b>	<b>(127)</b>	<b>(139)</b>

## 27. Income tax

	Group	
	Financial year ended	
	30 June 2018	30 June 2017
Current income tax (expense)	(676)	(1,790)
Income tax correction for prior periods	(8)	645
Deferred income tax income (expense)*	2,623	(492)
<b>Income tax (expenses) recorded in the statement of comprehensive income</b>	<b>1,940</b>	<b>(1,637)</b>
Net gain (loss) on revaluation of cash flow hedges	(6)	(14)
<b>Deferred tax gain (loss) recorded in the statement of other comprehensive income</b>	<b>(6)</b>	<b>(14)</b>

\*Deferred tax income mostly relates to changes in tax laws in Latvia (Note 2.21). The changed tax base in Latvia has resulted in write-off of EUR 2.223 thousand of deferred tax liabilities.



## 27. Income tax (cont'd)

	Group	
	Financial year ended	
	As at 30 June 2018	As at 30 June 2017
<b>Deferred income tax asset</b>		
Tax loss carry forward (available indefinitely)	688	276
Tax loss carry forward (available to carry forward 5 years)	-	2,016
Accruals	925	619
Investment incentive	927	456
Differences in tax base of trade receivables	306	218
Impairment of investment property	19	19
Allowance for inventories	149	143
Fair value of financial instruments	7	29
Other	473	186
<b>Total deferred income tax asset</b>	<b>3,496</b>	<b>3,962</b>
<b>Deferred income tax liability</b>		
Property, plant and equipment and investment property (difference between tax and accounting values)	(771)	(3,668)
Fair value of biological assets	(31)	(107)
Fair value of financial instruments	-	(14)
Other	-	(97)
<b>Total deferred income tax liability</b>	<b>(802)</b>	<b>(3,886)</b>
<b>Deferred income tax, net</b>	<b>2,693</b>	<b>76</b>
Accounted for as deferred income tax asset in the statements of financial position	2,803	1,982
Accounted for as deferred income tax liability in the statements of financial position	110	1,906

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

As at 30 June 2018 and 30 June 2017 the Group has not recognised deferred tax asset for the following temporary differences (temporary differences basis is provided below before application of income tax rate):

	Group	
	As at 30 June 2018	As at 30 June 2017
Tax loss carry forward*	4,641	4,615
Allowance for trade receivables	-	467
	<b>4,641</b>	<b>5,082</b>

\*Tax losses are available to carry forward indefinitely (EUR 4,641 thousand).

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.



## 27. Income tax (cont'd)

There are no temporary differences associated with investments in associates as at 30 June 2018 and 2017 because Group has no associates.

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:

	<b>Group</b>	
	<b>Financial year ended</b>	
	<b>30 June 2018</b>	<b>30 June 2017</b>
Profit before tax	7,523	10,045
Income tax expenses, applying the statutory rate in Lithuania (15%)	1,461	1,507
Effect of different tax rates in Estonia, Denmark, 5% tax rate for the entities engaged in agricultural activities (Note 2.21.)	(569)	72
Write-off deferred tax of Latvian subsidiaries due to tax law changes	(1,684)	-
Change in deferred tax components due to changes in tax laws in Lithuania	(447)	
Recognition of previously unrecognized deferred tax liability	-	318
Income tax correction for prior periods	8	(645)
Temporary differences for which no deferred taxes were recognized	-	237
Permanent differences	(129)	478
Tax incentive	(580)	(330)
<b>Total income tax (income) expenses</b>	<b>(1,940)</b>	<b>1,637</b>



## 28. Basic and diluted earnings per share

### Basic 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 2018 and 30 June 2017 was as follows:

Calculation of weighted average for the year ended 30 June 2018	Number of shares	Par value (EUR)	Issued/365 (days)	Weighted average
Shares issued as at 30 June 2017	158,158,426	0.29	365/365	158,158,426
Shares issued as at 30 June 2018	158,158,426			158,158,426

Calculation of weighted average for the year ended 30 June 2017	Number of shares	Par value (EUR)	Issued/365 (days)	Weighted average
Shares issued as at 30 June 2016	158,154,426	0.29	85/365	36,830,483
Disposal of own shares 23 September 2016	3,000	0.29	181/365	78,428,751
Disposal of own shares 22 March 2017	1,000	0.29	99/365	42,897,765
Shares issued as at 30 June 2017	158,158,426			158,156,999

Calculation of the basic earnings per share is presented below:

	Financial year ended	
	30 June 2018	30 June 2017
Net profit, attributable to the shareholders of the parent (in EUR thousand)	9,464	8,320
Weighted average number of ordinary shares outstanding for the year	158,158,426	158,156,999
Basic earnings per share (in EUR)	0.06	0.05

For the year ended 30 June 2017 the Company paid EUR 1,202 thousand dividends, or EUR 0.0076 per share. The Board of the Company plans to offer to pay EUR 3,000 thousand dividends, or EUR 0.019 per share, for the year ended 30 June 2018.

### Share based payments and diluted earnings per share

AB Linas Agro Group, following the Rules for Granting Equity Incentives approved on 1st of June 2018 and acting in accordance with the decision of the General Shareholders Meeting of 1st of June 2018, signed options contracts with employees of AB Linas Agro Group and of the subsidiaries, in which AB Linas Agro Group owns 50 per cent or more of shares, for 4,610,180 ordinary registered shares of AB Linas Agro Group. During the years 2021-2023, according to the procedures and terms established in options contracts employees will be able to exercise the right to acquire the above mentioned number of ordinary registered EUR 0.29 nominal value shares of AB Linas Agro Group with the price of each issue being EUR 0.705 and provided to the employee free of charge under the terms and conditions established by the rules.

50% of all shares options will vest in 3 years-time from signing of the option agreements, 25% - in four years time and the rest 25% - in five years-time. There are no other vesting conditions, except for the requirement for a person to be employed at the Group for the above specified period of time, i.e. 50% of shares options will vest if a particular person is still employed for 3 years from signing of the share options agreement. 25% of shares options will vest if a person is employed for 4 years from signing of the share options agreement and the rest 25% of shares options will vest if a person is employed for a 5 years from signing of the share options agreement date. Share options are exercisable during the two months period after each vesting period ends for particular tranche.

Grant date is considered to be 29<sup>th</sup> June 2018 when principle terms of share options agreements were presented to employees participating in share options incentive. Since portion of passed vesting period from the grant date (29<sup>th</sup> June 2018) until the financial year end (30<sup>th</sup> June 2018) is immaterial, no expenses were accounted for in these financial statements.



## 28. Basic and diluted earnings per share (cont'd)

### Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	Number	WAEP
<b>Balance as at 30 June 2016</b>	-	-
Granted during the year	-	-
Forfeited during the year	-	-
Exercised during the year	-	-
<b>Balance as at 30 June 2017</b>	-	-
Granted during the year	4,610,180	0
Forfeited during the year	-	-
Exercised during the year	-	-
<b>Balance as at 30 June 2018</b>	<b>4,610,180</b>	<b>0</b>

None of shares options is yet exercisable as at 30 June 2018 and 2017.  
 The weighted average fair value of options granted during the year was €0.67.

The fair value of the share options is estimated at the grant date using the average price derived from a binomial and The Black-Scholes-Merton option pricing models, taking into account the terms and conditions on which the share options were granted. They key valuation assumptions are provided below:

Weighted average fair value at the measurement date (€)	0.67
Dividend yield (%)	0.7 - 2.00 %
Expected volatility (%)	0.20 - 0.30 %
Risk-free interest rate (%)	2.00 %
Expected life of share options (years)	3 - 5
Weighted average share price (€)	0.705

The expected life of the share options is based options agreements and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Diluted 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 plus the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares (options described above) into ordinary shares.

The weighted average number of ordinary and dilutive potential shares for the year ended 30 June 2018 was as follows:

Calculation of weighted average for the year ended 30 June 2018	Number of shares	Par value (EUR)	Issued/365 (days)	Weighted average
Shares and potential shares issued as at 30 June 2017	158,158,426	0.29	363/365	157,291,804
Granting of potential ordinary shares	4,610,180	0.29	2/365	891,883
Shares and potential shares issued as at 30 June 2018	162,768,606			158,183,687

The weighted average number of ordinary and dilutive potential shares for the year ended 30 June 2017 is the same as weighted average number of ordinary shares without potential dilutive shares.



## 28. Basic and diluted earnings per share (cont'd)

Calculation of the diluted earnings per share is presented below:

	Financial year ended	
	30 June 2018	30 June 2017
Net profit, attributable to the shareholders of the parent (in EUR thousand)	9,464	8,320
Weighted average number of ordinary plus potential ordinary shares outstanding for the year	158,183,687	158,156,999
Diluted earnings per share (in EUR)	0.06	0.05

## 29. 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. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

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 2018 part of AB Linas Agro trade receivables were insured with the insurance limit equal to equivalent of EUR 12,545 thousand (EUR 11,999 thousand as at 30 June 2017).

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 and cash, net of allowance for doubtful accounts recognised at the reporting date. Part of the trade and other accounts receivables is secured with pledged assets (Notes 12 and 13).

### Interest rate risk

The major part of the Group's borrowings is with variable rates, related to LIBOR, EURIBOR which creates an interest rate risk. The Group uses interest rate swap to hedge interest rate fluctuation risk for loans with variable interest rate as disclosed in Note 14.

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 EUR thousand)			
	Increase / decrease of basis points	30 June 2018	Increase / decrease of basis points	30 June 2017
EUR	+150	(2,257)	+150	(1,626)
EUR	-30	451	-30	325

### 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, current portion of animals and livestock and inventories) / total current liabilities) ratios as at 30 June 2018 were 1.38 and 0.79 respectively (as at 30 June 2017 1.43 and 0.85, respectively).



## 29. 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	2,658	1,161	8,325	4,706	14,993	1,314	33,157
Lease liabilities	56	162	371	559	413	232	1,793
Current borrowings	19,081	37,909	20,524	–	–	–	77,514
Derivative financial instruments	–	1,352	43	25	–	–	1,420
Current trade payables	188	29,578	14,386	–	–	–	44,152
Other liabilities	45	689	302	–	–	–	1,036
<b>Balance as at 30 June 2017</b>	<b>22,028</b>	<b>70,851</b>	<b>43,951</b>	<b>5,290</b>	<b>15,406</b>	<b>1,546</b>	<b>159,072</b>
Non-current borrowings	–	2,074	6,832	12,795	12,399	3,076	37,176
Lease liabilities	3	155	454	423	685	156	1,878
Current borrowings	9,846	104,339	3,925	–	–	–	118,109
Derivative financial instruments	–	987	–	–	–	–	987
Current trade payables	1,676	32,021	5,382	–	–	–	39,079
Other liabilities	–	1,279	234	–	–	–	1,513
<b>Balance as at 30 June 2018</b>	<b>11,525</b>	<b>140,815</b>	<b>16,827</b>	<b>13,218</b>	<b>13,084</b>	<b>3,232</b>	<b>198,701</b>

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	2,136	–	–	–	–	–	2,136
Non-current borrowings from related parties	–	–	–	38	1,451	–	1,489
Non-current payable to related parties	–	–	–	–	58	–	58
Current borrowings from related parties	–	17	2,254	–	–	–	2,271
Current trade payables	–	29	–	–	–	–	29
Payables to related parties	–	–	810	–	–	–	810
Other liabilities	–	32	–	–	–	–	32
<b>Balance as at 30 June 2017</b>	<b>2,136</b>	<b>78</b>	<b>3,064</b>	<b>38</b>	<b>1,509</b>	<b>–</b>	<b>6,825</b>
Non-current borrowings	–	471	469	–	–	–	940
Non-current borrowings from related parties	–	–	–	1,481	1,225	–	2,706
Non-current payable to related parties	–	–	–	–	61	–	61
Current borrowings from related parties	–	17	808	–	–	–	825
Current trade payables	–	24	–	–	–	–	24
Payables to related parties	–	–	810	–	–	–	810
Other liabilities	–	29	–	–	–	–	29
<b>Balance as at 30 June 2018</b>	<b>–</b>	<b>541</b>	<b>2,087</b>	<b>1,481</b>	<b>1,286</b>	<b>–</b>	<b>5,395</b>

## 29. Financial assets and liabilities and risk management (cont'd)

### 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 2018 and 2017 is denominated in EUR, 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.

Monetary assets and liabilities stated in various currencies as at 30 June 2018 and 30 June 2017 were as follows (EUR equivalent):

Group	As at 30 June 2018		As at 30 June 2017	
	Assets	Liabilities	Assets	Liabilities
EUR	129,794	202,652	125,195	173,359
USD	11,842	10,246	1,881	264
DKK	105	49	653	694
PLN	1,714	41	1,990	159
	<b>143,455</b>	<b>212,988</b>	<b>129,718</b>	<b>174,477</b>

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.

	Increase/ decrease in exchange rate	Effect on the profit before income tax for the year ended (in EUR thousand)	
		30 June 2018	30 June 2017
		USD	+ 15.00%
USD	- 15.00%	(239)	(243)
PLN	+ 15.00%	251	275
PLN	- 15.00%	(251)	(275)

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

### Changes in liabilities arising from financing activities

	Cash flows from (to) financial activities				30 June 2018
	1 July 2017	New leases	Other movements		
Loans	108,956	43,179	-	(11)	152,124
Grants	7,126	990	-	(951)	7,165
Interests (paid)	-	(2,577)	-	2,577	-
Dividends	-	(1,216)	-	1,216	-
Financial lease liabilities	1,635	(788)	884	-	1,731
	<b>117,717</b>	<b>39,588</b>	<b>884</b>	<b>2,842</b>	<b>161,020</b>



## 29. Financial assets and liabilities and risk management (cont'd)

### Financial risk, arising from biological assets, management strategy

The Group is engaged in wholesale trade of milk, therefore, is 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 be in prolonged decline in the foreseeable future (at current period price increase noted) 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.

### Market price risk

The Group is exposed to the grain market price risk which is managed with the hedge accounting described in Note 14.

### 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 disclosed in Note 2.26. Fair values of assets and liabilities are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The carrying amounts of the Group's financial assets and liabilities (which are not carried at fair value) approximate fair value and are classified as level 3 according to the fair value hierarchy described in the Note 2.26.

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 (level 3).
- 2 The fair value of non-current debt is based on discounting future cash flows related to debt using market interest rate and also considering own credit risk immaterial. The fair value of non-current borrowings with variable and fixed interest rates approximates their carrying amounts (level 3).

### Capital management

For capital management purposes the Group's capital is equal to total equity in the statement of financial position amounting to EUR 177,074 thousand as at 30 June 2018 (EUR 169,217 thousand as at 30 June 2017).

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 2018 and 30 June 2017.

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 comply with this requirement. The Group subsidiary registered in Estonia doesn't comply with this requirement. 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 PFK TRADER and SIA Erfolg Group. 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%.

	Group		Company	
	As at 30 June 2018	As at 30 June 2017	As at 30 June 2018	As at 30 June 2017
Total equity	177,074	169,217	109,909	107,273
Total assets	400,937	352,849	115,927	114,365
Total equity / Total assets	44%	48%	95%	94%
Leverage ratio	56%	52%	5%	6%



## 30. Commitments and contingencies

As at 30 June 2018 the Group is committed to purchase property, plant and equipment for the total amount of EUR 4,168 thousand (EUR 3,828 thousand as at 30 June 2017).

A few Group companies (Panevėžys district Aukštadvario ŽŪB, Kėdainiai district Labūnavos ŽŪB, Šakiai district Lukšių ŽŪB, Sidabravo ŽŪB and Panevėžys district Žibartonių ŽŪB) received grants from the European Union and National Paying Agency for acquisition of agricultural equipment.

Panevėžys district Aukštadvario ŽŪB, Kėdainių district Labūnavos ŽŪB, Sidabravo ŽŪB are committed not to discontinue operations related to agricultural up to the end of 2019 and 2021, Šakiai district Lukšių ŽŪB – up to 2020 and 2021, Panevėžys district Žibartonių ŽŪB – up to 2019 and 2022. UAB Linas Agro Grūdų Centras KŪB received grants from the European Union and National Paying Agency (Lithuania) 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 2020 and 2021.

SIA Lielzeltini, SIA Cerova, AS Putnu fabrika Kekava received grants from the European Union and Rural Support Service (Latvia) for poultry farm, feedstuffs production and storages upgrade. SIA Lielzeltini is committed not to discontinue broiler breeding, slaughtering and sale of products, feedstuffs up to 2020, SIA Cerova – up to 2018, AS Putnu fabrika Kekava – up to 2020, 2022 and 2023.

In case of non-compliance with the requirements the Group companies will have to return funds received to the state of Lithuania and Latvia amounting to EUR 3,080 thousand as at 30 June 2018 (EUR 1,683 thousand as at 30 June 2017). Group has no plans to discontinue above mentioned operations.

As at 30 June 2018 the balance of guarantees and warranties issued by the Company to the banks for the controlled companies (directly and indirectly controlled subsidiaries) amounted to EUR 25,455 thousand (EUR 67,463 thousand as at 30 June 2017).

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 2018 and 30 June 2017.

As of 30 June 2018 the Group has a commitments in amount of EUR 1,968 thousand to purchase agriculture equipment from leasing providers in case the customers will not use option to repurchase equipment at the end of lease period (30 June 2017 – EUR 1,422 thousand).

In August 2018 the Group company AB Linas Agro received a ruling from the Customs of the Republic of Lithuania (hereafter – Customs) stating that Customs made additional calculation for the calendar year 2016 – 2017. The decision increased the taxes in EUR 644 thousand for fertilizers import in mentioned period. The AB Linas Agro management estimate the possibility to pay the taxes is 50 % and recognized as accruals in EUR 322 thousand amount and deferred tax asset in EUR 48 thousand for the year ended 30 June 2018. The AB Linas Agro management does not concur with Customs assessment and the decision is appealed.

## 31. 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 2018 and 30 June 2017 were as follows:

### Members of the board of the Company:

Darius Zubas (chairman of the board, ultimate controlling shareholder);  
Dainius Pilkauskas;  
Arūnas Zubas;  
Andrius Prancėvičius;  
Tomas Tumėnas;  
Vytautas Šidlauskas till 30 March 2018  
Artūras Pribušauskas till 30 March 2018;  
Darius Jaloveckas from 1 June 2018;  
Jonas Bakšys from 1 June 2018.

### Subsidiaries: List provided in Note 3.

### Akola ApS group companies:



## 31. Related parties transactions (cont'd)

Akola ApS (Denmark) (controlling shareholder);  
 UAB MESTILLA (same ultimate controlling shareholders).

UAB Baltic Fund Investments (Tomas Tumėnas is a director of this company).  
 Jonas Bakšys from June 2017 till present is the Member of Board at Lobiu Sala AS (Sweden).

The Group's transactions with related parties in 12 month period ended 30 June 2018 and 30 June 2017 were as follows:

### 2018

	Purchases	Sales	Trade receivables	Non-current loans receivable	Current payables	Current loans payables
Akola ApS group companies	752	19,248	255	–	1	–
Members of the board	–	35	–	–	–	–
	<b>752</b>	<b>19,283</b>	<b>255</b>	<b>–</b>	<b>1</b>	<b>–</b>

### 2017

	Purchases	Sales	Trade receivables	Non-current loans receivable	Current payables	Current loans payables
Akola ApS group companies	891	13,466	470	–	–	–
Members of the board	–	2	–	–	–	–
	<b>891</b>	<b>13,468</b>	<b>470</b>	<b>–</b>	<b>–</b>	<b>–</b>

The Company's transactions with related parties in the years ended 30 June 2018 and 30 June 2017 were as follows:

### 2018

	Purchases	Income	Receivables			Non-current payables	Payables		
			Non-current loans receivable	Current loans receivable	Other account receivables		Current Payables	Non-current loans received	Current loans received
Akola ApS group companies	–	–	–	–	–	–	–	–	–
Subsidiaries	103	5,047	11,370	2,803	31	810	2,654	744	
	<b>103</b>	<b>5,047</b>	<b>11,370</b>	<b>2,803</b>	<b>31</b>	<b>810</b>	<b>2,654</b>	<b>744</b>	

### 2017

	Purchases	Income	Receivables		Other accounts receivables	Non-current payables	Payables		
			Non-current loans receivable	Current loans receivable			Current Payables	Non-current loans received	Current loans received
Akola ApS group companies	–	–	–	–	–	–	–	–	–
Subsidiaries	86	4,989	11,260	3,539	4	58	810	1,448	2,195
	<b>86</b>	<b>4,989</b>	<b>11,260</b>	<b>3,539</b>	<b>4</b>	<b>58</b>	<b>810</b>	<b>1,448</b>	<b>2,195</b>

As at 30 June 2018 interest rates of the Company for current loans receivable from related parties are 4%, and 3 month EURIBOR + 2.45% margin. As at 30 June 2017 interest rates of the Company for non-current loans receivable from related parties are 2.61%, and 3 month EURIBOR + 2.45% margin.

As at 30 June 2018 interest rates of the Company for non-current loans payable to related parties are from 2.60% up to 4%, and 3 month EURIBOR + 2.45% margin. As at 30 June 2017 interest rates of the Company for non-current loans payable to related parties are 2.61%, and 3 month EURIBOR + 2.50% margin.

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 and are aimed to be conducted on terms equivalent to arm's length transactions.



## 31. Related parties transactions (cont'd)

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 receivables from related parties were not due neither impaired as at 30 June 2018 and 30 June 2017.

### 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 EUR 7,119 thousand (including EUR 1,208 thousand of bonuses to the board of directors of AB Linas Agro and AB Linas Agro Group) for the year ended 30 June 2018 (EUR 2,612 thousand (including EUR 1,074 thousand of bonuses to the board of directors of AB Linas Agro) for the year ended 30 June 2017). For the year ended 30 June 2018 the Group's management received EUR 208 thousand dividends from the Company (for the year ended 30 June 2017 the Group's management received EUR 182 thousand dividends from the Company).

For the year ended 30 June 2018 the Group's management has also received EUR 179 thousand of rent payments (EUR 49 thousand of rent payments for the year ended 30 June 2017). The Company's management consists of the board of directors and a managing director. The Company's management remuneration amounted to EUR 748 thousand (including EUR 748 thousand of bonuses to the board of directors of AB Linas Agro Group) for the year ended 30 June 2018 (EUR 548 thousand (including EUR 540 thousand of bonuses to the board of of AB Linas Agro Group) for the year ended 30 June 2017).

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 2018 and 30 June 2017.

## 32. Material partly-owned subsidiaries

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

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	30 June 2018	30 June 2017
AS Putnu fabrika Kekava	Latvia	2.92%	6.16%
Karčemos Kooperatinė Bendrovė	Lithuania	76.00%	76.00%

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of comprehensive income:

	AS Putnu fabrika Kekava		Karčemos Kooperatinė Bendrovė	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Revenue	69,263	61,904	954	859
Net profit (loss)	3,267	(861)	282	136
<b>Total comprehensive income</b>	<b>3,267</b>	<b>(861)</b>	<b>282</b>	<b>136</b>
Attributable to non-controlling interests	131	(41)	215	103
Dividends paid to non-controlling interests	–	–	–	–



## 32. Material partly-owned subsidiaries (cont'd)

Summarised statement of financial position:

	AS Putnu fabrika Kekava		Karčemos Kooperatinė Bendrovė	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
			<b>Financial year ended</b>	
Current assets	10,220	8,721	401	380
Non-current assets	35,948	34,501	3,059	3,357
Current liabilities	10,012	10,030	389	353
Non-current liabilities	15,589	15,892	1,959	2,554
<b>Total equity</b>	<b>20,567</b>	<b>17,300</b>	<b>1,113</b>	<b>830</b>
Attributable to Non-controlling interests	601	1,066	846	631

Summarised cash flow statement:

	AS Putnu fabrika Kekava		Karčemos Kooperatinė Bendrovė	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
			<b>Financial year ended</b>	
Operating activities	5,741	3,691	555	340
Investing activities	(4,462)	(4,202)	33	12
Financing activities	(156)	272	(570)	(344)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,123</b>	<b>(239)</b>	<b>18</b>	<b>8</b>

## 33. Subsequent events

### Group

2018-09-19	The authorized capital of UAB Lineliai was increased by 50,000 euros.
2018-08-21	The decision of the sole shareholder was accepted to reorganise the companies by way of incorporating SIA Paleo to SIA Linas Agro Graudu centrs.
2018-07-30	AB Linas Agro founded a subsidiary in Ukraine LLC LINAS AGRO UKRAINA.
2018-07-23	Shareholder of UAB Lineliai made a decision to increase the authorized capital of the company by 50,000 euros.

### Company

2018-09-26	The Company concluded Securities donation agreements and will transfer 9,000 own shares to the Group employees under AB Linas Agro Group Rules for Shares Issues approved in AB Linas Agro Group Extraordinary General Meeting of Shareholders on 2018-06-01..
2018-09-19	The authorized capital of UAB Lineliai was increased by 50,000 euros.